German-American
TRADE NEWS

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TRANSPORTATION
IN THE U.S. AND GERMANY

TAX RULES

GRAPHO-TYPES
IN THE BUSINESS WORLD

GATN
JANUARY 1985

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VOL. 39 NO. 1 JANUARY 1985

GERMAN AMERICAN TRADE NEWS

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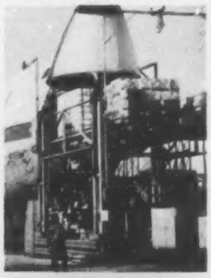

RHEINPFALZ
Buntinger Öchsleberg
Riesling · halbtrocken

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German American Chamber of Commerce

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chamber commentary

For almost two years the United States has been the economic driving force for most Western industrialized countries. German exporters alone increased their exports to the U.S.A. in the first half of 1984 by almost 47 percent to 24.6 billion marks. The United States thereby became the second most important export market for the Federal Republic of Germany behind France.

But this year the Western Europeans can scarcely expect a similar balancing of the burden of the excessively high U.S. interest rates. Since the middle of 1984 almost all important U.S. economic data have pointed toward slowed economic development. Various economic observers are even worried that the present economic cooling-off could turn into a recession by 1986.

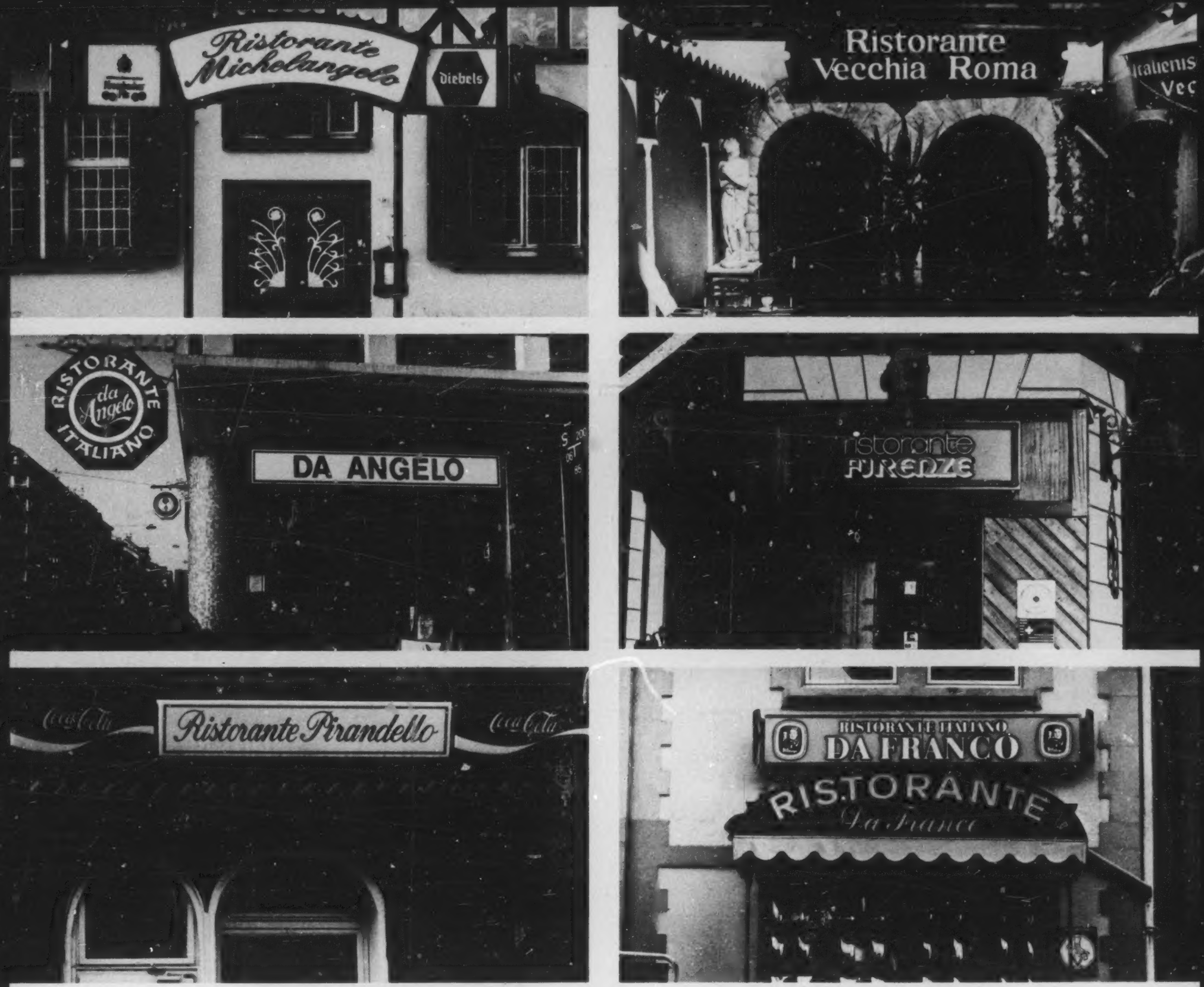
The Reagan administration is thus carrying significant burdens into the year following the elections. The necessary reduction in the U.S. budget deficit amounting to far over 210 billion dollars will require painful cutbacks in numerous government programs and slower growth in defense spending. These measures will necessarily influence purchasing power and the economy.

More and more sectors in America are already asking for government protection against cheap foreign imports. The demands for protectionist defensive measures will doubtless become even louder as the U.S. economy weakens. At the end of last year, the Federal Reserve Bank already in many small steps increased the leeway of banks to provide money for the economy. Fed Chief Paul Volcker believes that further interest reductions will also be possible in the future without renewed overheating of the economy. But at the present time it appears in many circles that fear of a significant weakening of the economy is greater than the fear of a rekindling of inflation.

The leeway in the American interest rates will depend to a certain extent on interest developments in the Federal Republic of Germany. If the U.S. interest rates should drop significantly in the course of the coming year under pressure from a possibly greatly worsening economy, the U.S. Dollar could certainly become significantly less attractive overseas. Withdrawal of foreign investments in the U.S. could then occur simultaneously with the start of a new recession and thus trigger substantial tensions in the world economy.

Sincerely,

WERNER WALBROL
Executive Director
of the
German American Chamber of Commerce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Competition is the spice of life

If you want people to dish out compliments, you've got to outperform the competition. In banking as in the restaurant business.

Nobody appreciates this better than we do. Because it was in Germany's crowded and highly competitive banking environment that we discovered the ingredients of success. Superior performance and a sense of dedication that rapidly earned us the confidence of both industry and the private clientele.

In BfG's 25 years, our customers have made us one of Germany's leading all-purpose banks. Today, 75 of the country's leading corporations bank with us. BfG has 7,000 employees and a consolidated balance sheet total of $ 21.6 billion. We maintain bases in all key commercial centers and co-operate with more than 3,000 correspondent banks throughout the world.

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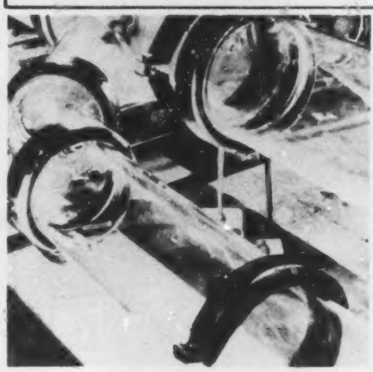
products industries services

NEWS

Shipyards Bank on Special Vessels

More than 100 companies from 14 countries have announced their intention of taking part in the second international shipping fair "Portex '85" in Hamburg (May 7th till 10th, 1985) months before it is due to start. The chairman of the exhibition committee and general manager of the port of Hamburg, Helmut F.H. Hansen, said that this intermediate result indicated that the "Portex '85 Hamburg" would completely fulfill the expectations placed in it.



Danger is Present in Waste Pipes

Sewage disposal by means of conventional pipe systems, which are not sufficiently resistant to corrosion could possibly become a "time bomb" especially in major urban areas. Investigations carried out by the Technical University of Hanover, in the framework of a research project on behalf of the Bonn Ministry for Research and Development point to the danger.

- Acid-bearing substances derived from aggressive sewage can be precipitated on the inner walls of the pipes above the water level and eat into them within a short space of time.
- The novel high-load sewage pipe devised by the German Oltmann Works made of plastic for sewage and rain water drains also results in considerable cost-saving. These plastic pipes cost only a fifth of what conventional pipes cost to lay.

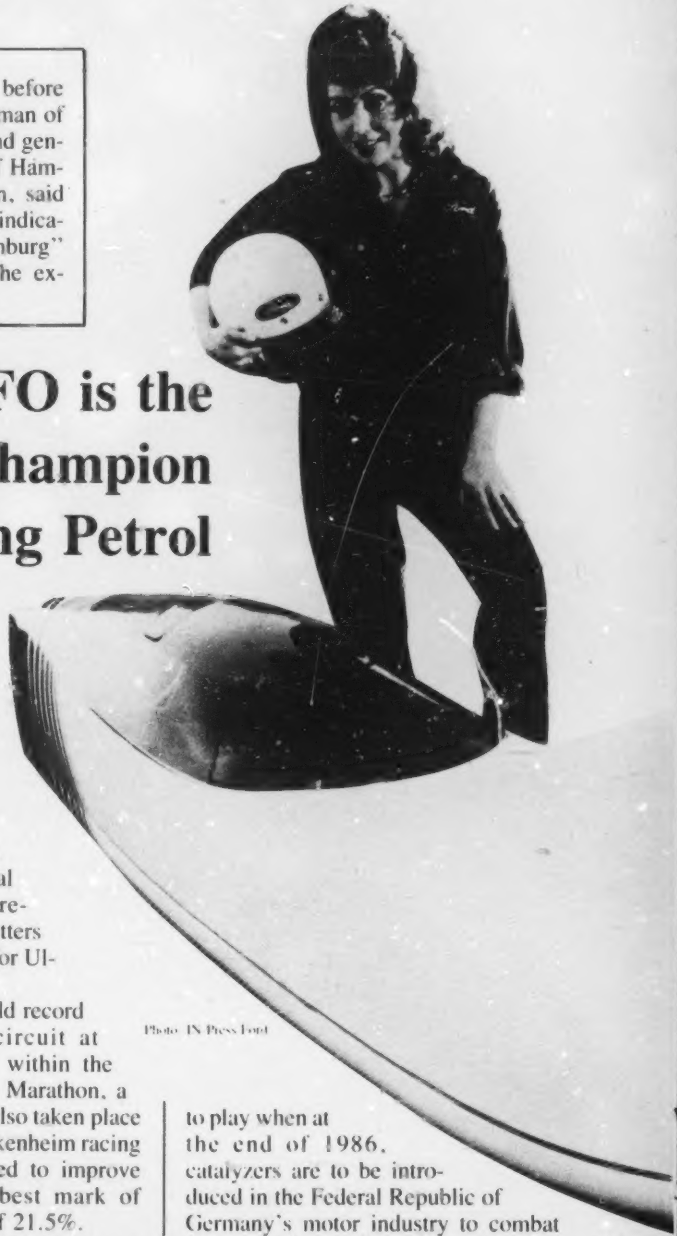


Photo IN Press Ford

UFO is the World Champion in Saving Petrol

UFO 2 is the new world champion in saving petrol. It only requires 0.074 litres of petrol per 100 kms — an almost imaginably small quantity. UFO 2 is an experimental vehicle from Ford's research division. The letters UFO in this case stand for Ultimate Fuel Optimiser.

UFO 2 set up its world record on the Grand Prix circuit at Silverstone in Britain within the framework of the Shell Marathon, a competition which has also taken place several times at the Hockenheim racing circuit. UFO 2 managed to improve upon the previously best mark of 0.091/100 kms by all of 21.5%.

UFO 2 is an extremely flat, completely sheathed tricycle in which the driver lies rather than sits. UFO 2 is driven by an only 15 cm one cylinder engine. However, it is fitted with the latest technology in the form of an electronically controlled fuel injection and ignition.

The latest technology also has a role to play when at the end of 1986, catalyzers are to be introduced in the Federal Republic of Germany's motor industry to combat toxic vehicle fumes as part of the program to improve the environment.

The firm of Degussa AG, Frankfurt am Main has decided to step up production of catalyzers for cleaning car fumes at its Rheinfelden works so that there will be a capacity of 3 million units available per year starting in 1986.

A Record Harvest for the Farmers

German farming is counting on a record harvest, according to Bonn's Federal Ministry for Food, Agriculture and Forestry. The cereal crop should amount to 26 million tons, some three million tons more than last year, because of favorable summer weather.

However, the big harvest may cause new worries in Europe as lower food consumption of cereals (in the amount of cereals used for fodder) is expected. The Farm Minister indicates that cereals could become another European Community "problem product" if stocks continue to expand.

Stepped-up storage and subsidies for cereal exports represent another dent in the already severely strained EC budget. In addition to this, the guaranteed price for cereals is bound to drop for individual farmers in the Federal Republic of Germany because of the huge harvest.

Bonn feels that a possible solution is the Soviet Union's growing demand for foreign cereals. Moscow has concentrated its search for extra wheat on the European market in recent years.

World record in saving petrol by Ford: this super-flat experimental vehicle consumes only 0.074 litres of petrol per 100 kms.

Degussa is convinced that the advantages of this technique, which have proved themselves for years in the U.S. and Japan will ultimately become established in Europe as well.

Photo: IN-Press Stachowski

NEWS

German Chic is Becoming International

New German Fashion from the Cologne International Fashion Fair

Individually or collectively at the big fairs in Cologne or Duesseldorf, young German fashion designers are causing a stir. Buyers praise the quality of material and finish; rivals in Paris or in Milan have had to admit that these young German designers do not turn out dowdy clothes. There is nothing to make fun of anymore. Americans have called the style of the young Germans very sophisticated.

Pan Am Buys Model A 310-200 Great Success for the Airbus

The order placed by the U.S. airline Pan American World Airways with the European Airbus Industrie was also documented by the first Airbus of the company to fly to Berlin (West). The plane with the name "Berlin" later flew on to Munich. Pan Am bought 28 Airbus A 310-200 and took out options on another 63 planes.

Thanks to this transaction, which is worth well over three billion DM, the chairman of the supervisory board of German Airbus GmbH, the Bavarian regional premier, Franz Josef Strauss, is convinced that jobs are assured in these parts of the country where German sub-supplies are made for the European Airbus. This affects first and foremost the states of Lower Saxony, Hamburg and Bremen.

The "A 300" is a two-engine wide-body passenger plane carrying 250 passengers. The somewhat smaller version the "A 310" can hold up to 210 passengers. The "A 310-300" version ordered by Pan Am is an improvement over the basic model with a continental range of 7,400 kms. The smaller "A 320" with 150 seats will be available from 1988 and has no rivals.

Currently, 260 "airbuses" are flying throughout the five continents with 48 international airlines. In addition to the orders from Pan Am, another 400 planes have been commissioned. In the U.S., the Airbus Industrie, a European project involving the Federal Republic of Germany, France, Britain and to a smaller extent, Spain, previously sold only 39 planes. Boeing is the major competitor in the U.S.

Photo: IN-Press ap

Dr. Richard von Weizsaecker, President of the Federal Republic of Germany (photo), was enthusiastic about the new Airbus after inspecting the cockpit.

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16. Auflage
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Due to popular demand, the ASoGF has again included a "Geographical Listing", indicating the various companies located in each particular state throughout the U.S. and possessions. Both German Parent and Product Indexes have been improved.

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The limited-edition Mercedes-Benz 500SEC (top) features a 5-liter V8 engine, while the two-seat 380SL coupe/roadster (bottom) is propelled by a 3.8-liter V8.

Mercedes-Benz ABS: Breakthrough in Braking

The old saying "you can't do anything about the weather" no longer holds true as far as driving safety is concerned.

A computer-controlled anti-lock brake system offered on certain 1985 Mercedes-Benz models makes the difference. Called ABS, it automatically compensates for slippery road conditions during hard braking, virtually eliminating skids and allowing the driver to retain steering control.

ABS utilizes sophisticated electronics to detect when any wheel is on the verge of locking up. It then precisely controls the wheel's braking action, effectively pumping the brakes in just the right rhythm to make use of the available traction. The rate at which this occurs is definitely rapid: up to 10 times per second.

All that's required of the driver to bring ABS into play is pushing on the brake pedal hard enough to lock at least one wheel. In some cases that may not be very hard, as when that wheel is passing over an ice patch. A noticeable pulsing through the brake pedal informs the driver that the control process is indeed taking place.

The ABS components added to the standard Mercedes-Benz four-wheel disc brake system are wheel-speed sensors, an electronic control unit and a hydraulic control unit.

Proven in billions of miles of driving in Europe, ABS is being offered for the first time in North America as standard equipment on the 1985 Mercedes-Benz 300SD, 380SE, 380SL, 500SEL and 500 SEC, and as an option on the 190D and 190E.

NEWS

BOSCH FOUNDATION FELLOWSHIP PROGRAM

The Robert Bosch Foundation, one of West Germany's largest corporate foundations, sponsors a "Fellowship Program" for young adult Americans so they can participate in an intensive work/study program in Germany. It runs from September through March.

The Foundation Fellows intern in key German institutions, such as the Federal Government, the Federal Parliament, headquarters of private corporations and mass media. Internships will usually be at high executive levels. Candidates are competitively chosen from such areas as: business administration, economics, public affairs, political science, law, journalism and mass communications.

For information and applications contact: The Robert Bosch Foundation Fellowship Program.

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Three Additional Berlin Representative Offices

The Berlin Economic Development Corporation announced the opening of three additional Representative Offices in Atlanta, Boston and Dallas.

Hapag-Lloyd Europe Pacific Service

Hapag-Lloyd AG, Compagnie Generale Maritime (CGM), Intercontinental Transport (ICT) B.V. (INCOTRANS) and the partners in the Johnson Scanstar Service have received FMC approval for a space cross charter and sailing agreement covering the trade between the U.S./Canada Pacific Coast and Europe.

Hapag-Lloyd has firm slot capacity on all nine vessels belonging to the partners.

As of January, 1985, Hapag-Lloyd Europe Pacific Service will offer its shippers and consignees the advantage of weekly sailings on fixed days.

NEWS

25 Years at Thyssen, Inc.

Thyssen, Inc., the wholly-owned American trading arm of the Thyssen Group of West Germany, is celebrating its twenty-fifth year of existence. The 1984 fiscal year was most successful, with annual sales topping the $1 billion mark for the period.

Although it acts today as an independent and autonomous operating unit, Thyssen, Inc. started out in October 1959 as a sales representative for Thyssen steel in the United States. It evolved into a versatile successful international trading company.

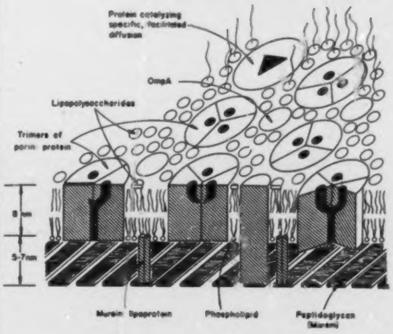
In the early 1960's, operating from its New York office, the Company developed a market for Thyssen steel products throughout the United States and became a stable and reliable supplier for many steel-consuming industries in the U.S. In addition, regional sales offices and steel service centers were established.

Not content to be just an importer, the Company began at an early stage to promote exports from the United States. It proceeded to become an international trader in such products as American coal and ferrous scrap which are exported to South America and Far Eastern markets, among others. These activities have now developed into a major worldwide raw material trading business.

The Company now conducts its business through offices and affiliates in Canada, Japan, Singapore, South Korea and South Africa, as well as Hamburg and Duisburg in West Germany.

Additional backing comes from its association with the worldwide Thyssen Handelsunion trading organization, a Duesseldorf-based trading organ of the Thyssen Group, operating in 65 countries.

Hiroshi Nikaido Wins Hoechst-Roussel Award



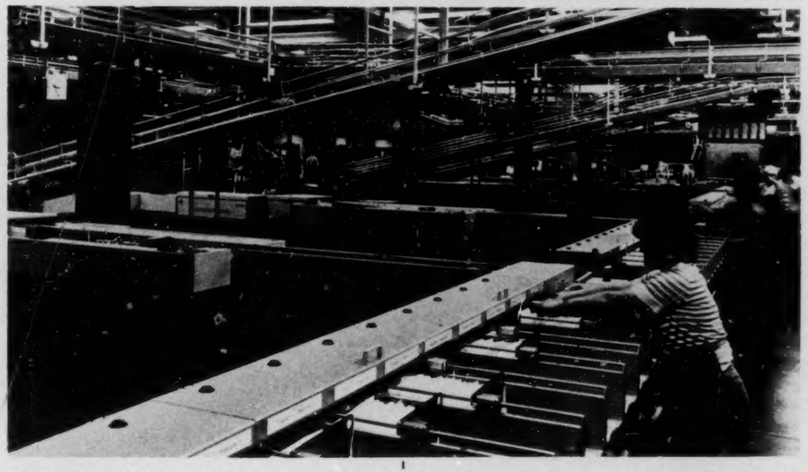
As shown above, proteins called porins provide water-filled channels that serve as pathways which substances use to enter and exit the bacteria. These observations by Dr. H. Nikaido led to his winning of the 1984 Hoechst-Roussel Award.

Hiroshi Nikaido, M.D., Professor of Microbiology and Immunology at the University of California at Berkeley received the Hoechst-Roussel Award for outstanding research on the bacteria barrier.

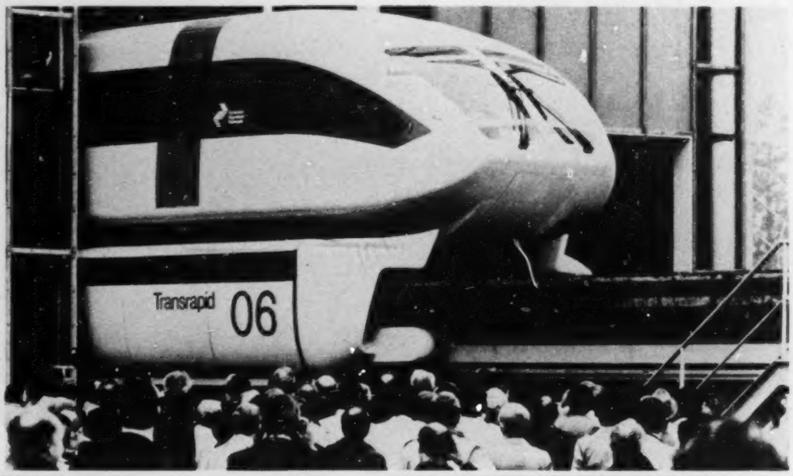
The Hoechst-Roussel Award established in 1982, consists of a $20,000 grant and a gold medal. It is presented annually at the Interscience Conference on Antimicrobial Agents and Chemotherapy.

Dr. Nikaido discovered how an antibiotic can penetrate the outer wall of a gram-negative bacteria so the organism can be destroyed. His findings will help researchers design pharmaceuticals that are effective against resistant organisms.

Gram-negative organisms are the most difficult to destroy and are a threat to patients with severe burns or cancer.



AEG-TELEFUNKEN, Frankfurt, reports that a large order for letter-mail automation (approximately $200 million) has been granted by the U.S. Postal Service to Texas-based Electrocom Automation. The American company will deliver a total of 406 address reading devices for installation in 166 post offices across the U.S. by 1988. The equipment is to be manufactured under an AEG license, with the German firm providing certain parts and services to its American licensing partner. The same equipment has been installed in, or ordered by, 43 European countries, including the Federal Republic of Germany. The latest order is the second which the U.S. Postal Service has given for AEG equipment. 247 of AEG's long-format letter distribution devices are currently in use in 125 post offices all over the U.S.



NEWS

Transrapid Sets World Record

During trials over the Transrapid stretch in Emsland (Lower Saxony), a world record for a manned electromagnetic levitation vehicle of 302 kms per hour was set up. Messerschmitt-Boelkow-Blohm announced subsequently in Munich that the speed record represented "a milestone in magnetic levitation technology."

Wacker to Build Polysilicon Production Plant

Dr. Werner Freiesleben, President of Wacker Siltronic Corporation, announced the company's plan to construct what will become the world's largest polysilicon production facility at its plant in Portland, Oregon.

The polysilicon facility represents a major increase in the type of products to be produced at the Portland plant. The overall project encompasses facilities capable of producing 5,000 metric tons per year. In the first phases the plant will be set up for an intermediate production level. As the market requirements increase, the production levels will be expanded to the 5,000 ton level. First shipments of polysilicon from the Portland plant will start in 1987.

Wacker already supplies 50% of the free world's requirements from its Chemitronic plant in Burghausen, West Germany. Wacker Siltronic in Portland is supporting 35% of the U.S.A. polished silicon wafer supply. To date this has been based on raw material polysilicon, furnished by Wacker-Chemitronic. When production starts at the Portland polysilicon plant, Siltronic will be self-sufficient for its own raw material and will become a major supplier of polysilicon to U.S.A. wafer producers.

Dr. Freiesleben indicated that, while Wacker had considered production of polysilicon in Portland in its earliest plans, the recent decision by the State Legislature to move away from the unitary method of taxation facilitated the company's decision to move Siltronic into this new area.

Projects and Design Unit Established

Siemens-Allis recently announced the formation of a Projects and Design Unit in Jackson, Mississippi, to design and construct high-voltage substations. The new business unit will enable the company, which has been a major supplier of substation components for years, to offer complete substation packages.

The newly-formed Projects and Design Services Unit, part of the company's Field Service Operation, will offer design, costing, project management, turn-key installation, field testing, and start-up.

Historic Emigrations Office Hamburg

You can trace your roots and discover your European heritage at the Historic Emigration Office, located in the Museum of Hamburg History. If you bring names, possible emigration dates, old letters and birth certificates researchers will use microfilm, ships' passenger lists and emigration records from 1850-1914 to find your forefathers. Address: Historic Emigration Office, Holstenwall 24, 2000 Hamburg 36, Federal Republic of Germany.

New Residence Tax Rules for Foreign Nationals

Foreign nationals living and working in the United States — executives of multinational corporations who are here on temporary assignments and others — need to know how the U.S. tax system works and how it will affect them.

The United States taxes foreign nationals in significantly different ways, depending on whether they are considered U.S. residents or nonresidents during their stay here. For 1984 and earlier years, the rules for determining whether a foreign individual living temporarily in the United States was a U.S. resident for income tax purposes were imprecise.

Beginning in 1985, the rules for determining whether an individual will be taxed as a resident or a nonresident have been changed. The new rules are more objective and somewhat easier to apply, but it is likely that many more foreign nationals who are temporarily present in the United States will now be considered U.S. residents for at least part of their stay.

U.S. Taxation of Foreign Nationals

For U.S. tax purposes, a foreign individual living and working in the United States may be considered either a "resident alien" or a "nonresident alien." A U.S. resident is subject to U.S. tax on all worldwide income, in the same manner as a U.S. citizen, while a nonresident generally is taxed only on certain income connected with a U.S. business or from U.S. sources.

In general, a foreign individual who enters the United States on a nonimmigrant visa will be considered a U.S. resident if the individual meets the "substantial presence test."

Substantial Presence Test

Under the substantial presence test, an individual's presence in the United States during the current calendar year as well as the two preceding years is taken into account. If the nonimmigrant individual is present on at least 31 days during the current year and the total number of days of presence during

- the current year, plus
- the first preceding year multiplied by ⅓, plus
- the second preceding year multiplied by $^1/_6$

equals at least 183 days, the individual is a U.S. resident for the *current* year.

Thus, a foreign individual who is present in the United States for at least 183 days in a calendar year generally will be considered a U.S. resident for that year. In addition, even a foreign individual who is present in the United States for **substantially less than 183 days** in a year may be considered a U.S. resident for that year if the individual was present in the United States during either or both of the two preceding years and the total number of days in all three years, under the formula discussed above, equals at least 183 days.

Example: *A German national is transferred to the United States for a 15-month period that includes one full calendar year and part of the next year. This individual will be a U.S. resident for the first full year since his presence in the United States will exceed 183 days. However, under the formula, he would also be a resident for the entire second year, during which only three months are spent in the United States (unless the special rules for the year of departure or one of the exceptions, discussed below, applies). The formula would apply as follows:*

- *93 days in the current (second) year, plus*
- *365 days in the first preceding year multiplied by ⅓, or 122 days.*

equals 215 days.

1983 and 1984 not counted. Presence in the United States during 1983 or 1984 will not be taken into account in applying the substantial presence formula, unless the foreign individual was considered a U.S. resident for those years under the previous rules for determining U.S. residence.

Years of Arrival and Departure

Special rules are provided for the first year a foreign individual is a U.S. resident and for the year a U.S. resident leaves the United States. Under these rules, the foreign individual may be taxed as a resident for a portion of the year and as a nonresident for the remainder of the year. This is known as a "dual-status" year. The rules work as follows.

If a foreign individual who was not a U.S. resident at any time during the preceding year is considered a U.S. resident for the current year under the substantial presence test, that individual will be taxed as a resident only as of the first day the individual is present in the United States in the current year.

Example: *A German individual regularly spends five months a year in the United States. However, the individual retains a primary residence in Canada and the individual's financial interests and social contacts are centered in Canada. This individual should not be considered a U.S. resident.*

This exception does not apply if the individual has taken steps to obtain an immigrant visa.

Resident Status — Planning

Timing of the U.S. Assignment. Notwithstanding the exceptions to the substantial presence test, most foreign executives who are transferred temporarily to the United States will be considered U.S. residents for income tax purposes for at least part of their stay. There are, therefore, a number of planning ideas that should be considered by the foreign executive contemplating a temporary U.S. assignment if nonresident status is more advantageous. The first involves delaying the start of U.S. resident status

PERSONAL INCOME TAX RATES FOR 1984 AND LATER

SINGLE INDIVIDUAL			MARRIED COUPLE FILING JOINT RETURN			MARRIED INDIVIDUAL FILING SEPARATE RETURN		
TAXABLE INCOME[1]	TAX ON COLUMN 1	TAX ON NEXT DOLLAR	TAXABLE INCOME[2]	TAX ON COLUMN 1	TAX ON NEXT DOLLAR	TAXABLE INCOME[3]	TAX ON COLUMN 1	TAX ON NEXT DOLLAR
$ 2,300	$ 0	11%	**$ 3,400**	$ 0	11%	**$ 1,700**	$ 0	11%
3,400	121	12	**5,500**	231	12	**2,750**	116	12
4,400	241	14	**7,600**	483	14	**3,800**	242	14
6,500	535	15	**11,900**	1,085	16	**5,950**	543	16
8,500	835	16	**16,000**	1,741	18	**8,000**	871	18
10,800	1,203	18	**20,200**	2,497	22	**10,100**	1,249	22
12,900	1,581	20	**24,600**	3,465	25	**12,300**	1,733	25
15,000	2,001	23	**29,900**	4,790	28	**14,950**	2,395	28
18,200	2,737	26	**35,200**	6,274	33	**17,600**	3,137	33
23,500	4,115	30	**45,800**	9,772	38	**22,900**	4,886	38
28,800	5,705	34	**60,000**	15,168	42	**30,000**	7,584	42
34,100	7,507	38	**85,600**	25,920	45	**42,800**	12,960	45
41,500	10,319	42	**109,400**	36,630	49	**54,700**	18,315	49
55,300	16,115	48	**162,400**	62,600	50	**81,200**	31,300	50
81,800	28,835	50						

[1] Taxable income is gross income less adjustments, exemptions and the excess of itemized deductions over $2,300 but before tax credits.
[2] Taxable income is gross income less adjustments, exemptions and the excess of itemized deductions over $3,400 but before tax credits.
[3] Taxable income is gross income less adjustments, exemptions and the excess of itemized deductions over $1,700 but before tax credits.

Source: Coopers & Lybrand.

for as long as possible.

***Example:** A national of the Federal Republic of Germany has not been present in the United States for the two years preceding her transfer. It might be worthwhile to delay the start of her stay in the United States until after July 1. An individual who enters the United States after July 1 cannot meet the substantial presence test for the calendar year of entry under the formula (provided the individual was not present in the United States during one or both of the two previous years). Thus, that person will be assured of nonresident status* for the entire year *— including a period perhaps as long as six months spent in the United States. Such an individual and the tax advisor can then use this time to plan for later classification as a U.S. resident.*

Fiscal year planning. A foreign individual who has not established a taxable year for U.S. tax purposes other than the calendar year (i.e., a fiscal year) is treated as having a calendar taxable year for U.S. tax purposes. Since the substantial presence test is applied on a calendar year basis, a foreign individual who has established a fiscal taxable year for U.S. tax purposes may be able to obtain only a limited benefit thereby. The taxable year, including fiscal years, can end only on the last day of the month.

Other planning ideas. In addition to the planning steps involved in maintaining nonresident status for as long as possible, foreign individuals should keep in mind those tax planning ideas that generally are available to nonresidents who anticipate eventual classification as U.S. residents:

- arranging payment of bonuses for past service (or other deferred compensation) before becoming a U.S. resident;
- restructuring any holdings in foreign companies to prevent application of the U.S. foreign personal holding company or controlled foreign corporation rules;
- selling or transferring appreciated assets prior to becoming a U.S. resident to avoid U.S. capital gains tax, or the excise tax on transfers to a foreign entity;
- deferring the sale of capital assets at a loss until U.S. residence begins to take advantage of the offset against future capital gains or against ordinary income of up to $3,000;
- accelerating or deferring income or expense items;
- selling the foreign residence;
- making gifts of foreign property before becoming fully subject to the U.S. gift and estate tax rules (note, however, that different rules apply in determining whether an individual is a U.S. resident for U.S. estate and gift tax purposes);
- transferring property into a trust to derive possible future tax advantages;
- adopting a fiscal taxable year for U.S. tax purposes.

Those who find themselves newly categorized as U.S. residents and subject to tax in both the United States and the home country may find the impact of double taxation relieved to varying degrees by operation of the U.S. foreign tax credit. Thus, even though all of the individual's worldwide income will be subject to U.S. tax, the U.S. tax may, to some extent, be offset by income tax paid to a foreign country on non-U.S. source income. Rules regarding crediting of foreign income tax are complex and require careful review.

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Holders of Immigrant Visas

Special rules apply to foreign individuals who hold an immigrant visa, or "green card," which lawfully admits the individual for permanent residence in the United States. An individual who held a green card throughout 1984 — whether or not he or she was present in the United States — or who held a green card for less than all of 1984 while present here at any time during 1984 will be considered a U.S. resident as of January 1, 1985 and, if the green card is retained, at all times thereafter whether or not the individual re-enters the United States. Such an individual will continue to be classified as a U.S. resident for tax purposes until the individual gives up the green card.

Individuals who acquire a green card in the future generally will be considered U.S. residents as of the date they are first present in the United States with the green card in the year the green card is acquired (or, if not present in the acquisition year, the following January 1) and at all times thereafter until the green card is given up.

As noted earlier, an individual who has taken steps to obtain a green card will not be eligible for the less than 183 days presence exception to the substantial presence test based on showing a foreign tax home and a closer connection with a foreign country than with the United States. Thus, if the substantial presence test is met for a particular year, an individual who has applied for a green card will be considered a U.S. resident even if present in the United States for less than 183 days during that year.

Nonresidents

An individual who is not a U.S. citizen and is not considered a U.S. resident under the above rules will be considered a nonresident. As such, U.S. tax will apply only to certain income from U.S. sources or from a U.S. business.

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New Tax Withholding Rules for Foreign-Owned U.S. Real Estate*

by John D. Maiers

Under the Foreign Investment in Real Property Tax Act of 1980, a foreign person who sells U.S. real estate generally is required to pay tax on the gain realized from the sale. The scope of the Act is very broad and includes, for example, mineral and oil rights. The Act also applies to the sale of stock of certain U.S. corporations whose assets consist or have consisted of U.S. real estate during the previous five years ("U.S. real estate holding company"). The applicable tax rate for foreign sellers who are individuals is 20 percent of the gain; the maximum rate for foreign sellers who are corporations is 28 percent.

As part of the Deficit Reduction Act of 1984, Congress amended the Act by substituting a withholding system for the reporting system. The amendment repeals the reporting requirements, but gives to the U.S. tax authorities the power to require foreign owners to report direct investments in U.S. real estate of $50,000 or more.

Beginning on January 1, 1985, the purchaser of any U.S. real estate or nonpublicly traded stock is required to deduct and to withhold as tax 10 percent of the purchase price, whether or not the seller is in fact a foreign person.

But most purchasers will be entitled to a withholding exemption if they receive either a statement from the seller that he is not a foreign person or, in the case of a stock purchase, a statement from the corporation that it is not and has not been a U.S. real estate holding company. However, if the purchaser has actual knowledge or notice that the statement is false, he must withhold the tax. Two types of real estate interests are exempt from the withholding requirement (but not necessarily from tax liability): residences purchased for $300,000 or less, and publicly traded stock of a U.S. corporation.

In addition to the withholding obligation of purchasers, foreign-owned partnerships, trusts and estates disposing of U.S. real estate must withhold. Also, a U.S. real estate holding company must withhold 10 percent of the amount realized by its foreign shareholders in connection with any distribution of U.S. real estate in exchange for their stock, including a corporate liquidation. On the other hand, foreign corporations distributing U.S. real estate are required to withhold at a 28 percent rate, if the real estate is distributed as a dividend or in exchange for stock or for other property not subject to the Act.

In certain circumstances, an agent or representative of the seller or pur-

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*For a detailed discussion of the tax issues described in this article, *see* Maiers, J., "Foreign-Owned United States Real Estate: Post-FIRPTA Tax Planning", 37 *Tax Lawyer* 577 (1984), published by the American Bar Association's Section on Taxation.

chaser must withhold as if he were the purchaser, up to the amount of his compensation in connection with the transaction. An agent will be liable for withholding if

① the purchaser receives a false statement from the seller,

② the agent has actual knowledge that the statement is false, and

③ the agent fails to notify the purchaser. In the case of an agent of a foreign corporation selling U.S. real estate, however, the agent is deemed to have knowledge of a false statement and is automatically liable for the amount not withheld.

Unless corrected by future regulations, the new withholding requirements will pose several problems. The withholding requirements apply literally to every purchase of nonpublicly traded stock of a U.S. corporation, unless the corporation furnishes a statement denying that it is or has been a U.S. real estate holding company. The withholding requirements may be a particular obstacle for some highly-leveraged acquisitions, where the initial cash consideration to be paid is less than 10 percent of the purchase price and the purchaser has insufficient funds to withhold. In addition, there is a substantial risk of excess withholding beyond the tax liability imposed by the Act.

Basic Tax Planning

Because of the broadly inclusive definition of real estate subject to the Act, a foreign individual or corporation is virtually certain to owe tax in connection with the sale of directly owned U.S. real estate. Likewise, the new withholding obligation burdens any purchaser who buys U.S. real estate directly from a foreign individual or corporation. The sale of stock of a U.S. real estate holding company is treated as a disposition of real estate, for both tax and withholding purposes.

The pivotal point for tax planning purposes is that the *disposition of stock* of a foreign corporation is not taxed under the Act, whereas the disposition of stock of a U.S. real estate holding company is taxed. However, the Act taxes a foreign holding company on its *distribution of U.S. real estate* at a maximum rate of 28 percent, as compared to the 20 percent rate applicable to foreign individuals receiving real estate distributions in the liquidation of a U.S. real estate holding company. The basic tax planning question then is whether to minimize the tax by means of a U.S. real estate holding company or to defer (and in some cases completely avoid) the tax through the use of a foreign holding company.

Foreign investors can obtain the favorable 20 percent rate for the liquidation of certain foreign holding companies by electing to have the corporation treated as a U.S. corporation. But, in addition to the strict eligibility requirements applicable to this election, the election is not effective for withholding purposes.

Taxes generally can be minimized by using a U.S. real estate holding company whose foreign shareholders are noncorporate taxpayers benefiting from the 20 percent rate for liquidating distributions. A U.S. real estate holding company, as a resident taxpayer, can offset operating expenses and depreciation deductions against income during the real estate holding period. The distribution of real estate by a U.S. holding company exposes foreign shareholders to less risk of international double taxation, than is the case with distributions of real estate from a foreign corporation.

Careful Structuring of the Sale Transaction

Tax planning is very important, however, in the situation where the foreign investor has to sell appreciated U.S. real estate. The tax in such cases can be substantial: 20 percent of the gain for individual investors and up to 28 percent for foreign corporate investors. The risk of excess withholding, the residual tax liability, and other transaction burdens created by the new withholding rules also complicate the sale of U.S. real estate. Foreign investors who wish to maintain their U.S. real estate portfolio but want to change the asset mix can benefit from establishing a U.S. real estate holding company and using the simple planning concepts described above. By using more complex tax planning tools, including a foreign holding company, aggressive tax planners can take their sale proceeds outside the United States, defer and in some cases completely avoid both taxes and withholding, and then reinvest in the United States. In both cases, favorable tax treatment depends on careful structuring of the sale transaction and on avoiding hidden tax problems before the sale.

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GERMAN WINE

Studying Wine Labels

The large variety of German wines can be puzzling even for the German wine-lover. How much more difficult must it be for wine-enthusiasts in USA, to make sense of all that's written on a German wine label! Nikolaus Koengeter, a "wine consultant" from Oestrich-Winkel in the Rheingau, gives some helpful tips.

A german wine lover gets a great deal of information from a German wine label; but his foreign counterpart needs to do a great deal of preparatory work, studying his subject thoroughly, before he can interpret the information on a label correctly. First of all he must know that Germany has four "Tafelwein" (table wine), 15 'Landwein", and 11 "Qualitätswein" (quality wine) growing regions; 32 "Bereiche" (districts), 1387 "Gemeinden" (communities), 150 "Grosslagen" (communal vineyard sites), 2590 "Einzellagen" (individual sites), and approximately 89,000 wine-estates; 54 licensed grape varieties, varying vintages, and 10 different grades of quality. Will the foreign consumer, armed with all this foreknowledge, be able to decipher the information on the label and know the quality of the German wine he selected? Not an easy question to answer, because:

1. The road the wine has to travel, between the German wine producer and the consumer in a foreign land, is often a very long one. It passes through many stages: from producer to bottler, exporter, forwarding or shipping agent, importer, wholesaler, and finally retailer. All have their own opinion about sales possibilities and the importance of details to be imparted to the client via the label.

2. Internationally, no binding agreements about information given on wine labels exist. This means that national and regional regulations in Germany (for instance, regulations on information on quality), are not binding abroad.

3. Codes used on labels cause confusion among clients, because laws are continuously being altered.

4. The "Germanizing" of wines abroad; for example, the filling of non-German wine into bottles of specifically German appearance, or the placing of "fake" German labels on bottles similar in design and lettering to the genuine article.

One of the tasks of the German wine law (in force since 1971) is to define and categorize the various quality grades. This does not mean that the individual vintner has to produce wines of a specified quality.

A wine's quality depends above all on the "Lese" ("early" or "late" gathering) and the vintage year. Quality definitions are therefore based on rather widely drawn, general standards; but the client should also know that individual quality grades have their own subdivisions, and he has to understand that the price of a wine is not necessarily connected with its quality. True, prices are fixed according to quality grades, but within those grades it can vary greatly.

In order to recognize the variations within individual quality grades, some practical experience is needed. The German wine label is a good guide in gathering such experience, but to be able to interpret the information it gives correctly, most people need more direct help from wine seminars, for instance, or from reading the appropriate journals and other literature on wine. Above all, it is a good idea to seek the advice of a wine expert.

Before the enthusiast tries to deduce the quality of a wine from the label on the bottle he should first of all make sure whether it really is a wine of true German origin. If, for example, the name of a wine is pure "fantasy", even the most authentic German name of bottler or wine cellar cannot alter the fact that the wine may stem partly or entirely from other countries. Best proof that a wine is of 100% German origin is the name of a German wine-growing region printed on the label. The EEC has issued a regulation whereby the fact that a wine is a blend from the wine-growing regions of several EEC countries, must be stated on the label.

Another important piece of information to look for on a label is the wine's quality grade. There are four: 1. "Deutscher Tafelwein" (German Table Wine); 2. "Landwein"; 3. "Qualitätswein" (Quality Wine); 4. "Qualitätswein mit Prädikat" (Quality Wine with Prädikat).

German Table Wines are produced in small quantities only. In buying such a wine it is important to make sure that the exact wording

1. The specified growing region, one of the eleven regions in Germany.

2. The year in which the grapes were harvested.

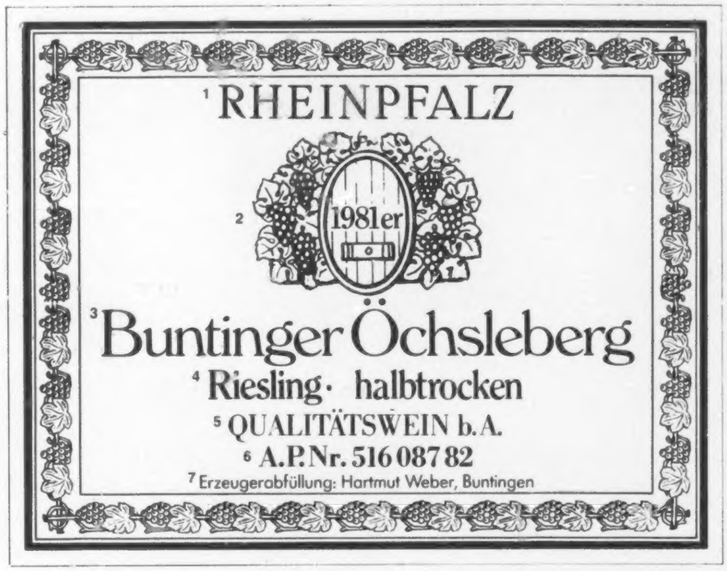
3. The town and the vineyard from which the grapes came.

4. The grape variety. The taste or style of the wine. In this case semi-dry.

5. The quality level of the wine, indicating ripeness of the grapes at harvest.

6. The official testing number: proof that the wine has passed chemical and sensory testing required for all German quality wines.

7. Wines bottled and produced by the grower.



1 RHEINPFALZ

2 1981er

3 Buntinger Öchsleberg

4 Riesling · halbtrocken

5 QUALITÄTSWEIN b.A.

6 A.P.Nr. 516 087 82

7 Erzeugerabfüllung: Hartmut Weber, Buntingen

"Deutscher Tafelwein" is printed on the label and that one of the four "Tafelwein" growing regions is mentioned. The newly created "Landwein" also belongs to the "Tafelwein" group.

Far the largest quantities of wine sold on the wine-market are quality wines. The label must show the name of one of the eleven "Anbaugebiete für Qualitätsweine" (growing regions for quality wines); if it does, the wine comes 100% from that particular region. More detailed information on origin, such as the "Bereich" (district), town or village, "Grosslage" or "Einzellage" (communal or individual vineyard site), may also appear on the label. A good example of a quality wine without a specific place of origin is the "Liebfraumilch", which is bought a great deal abroad. Such wines differ greatly as to quality and taste direction. They are produced from various grape varieties and processed at the discretion of individual cellarmasters. Generally speaking, the quality of a wine from an "Einzellage" will be better than one from a "Grosslage".

The wine seal signals a particularly good quality

The highest quality grade for German wine is the quality wine with "Prädikat". There are six different specifications, each of which has something to say about the "Lese" (grape-gathering time) and the production process that follows. They are: "Kabinett", "Spätlese" (late harvest), "Auslese" (select harvest), "Beerenauslese" (berry select harvest), "Trockenbeerenauslese" (dried berry select harvest) and "Eiswein" (frozen berry harvest). Taste variety reaches from the light "Kabinett" via the full-bodied "Spätlesen" to the sweet, heavy "Auslesen" and "Beerenauslesen".

A further specification, namely "dry" or "medium dry", also tells us something about the wine. Wines defined as "dry" have a residual sugar content below 9 g/l; their taste is determined by the acid content. "Medium dry" wines have a residual sweetness of 9 to 18 gram; they are usually light and harmonious. Where neither of these two specifications appear on a label, the wine is a "mild" one and its taste will be determined mainly by its residual sweetness.

"Prädikat" wines: substantial and full-bodied

A sign of particular excellence in a German wine is the "Deutsche Weinsiegel" (German wine seal). This is given to wines of an especially high quality within their taste delineation: red for mild, green for medium dry and yellow for dry wines. It is attached to the bottle, in addition to its label. Then there are the "bronze", "silver" and "gold" medals awarded at the annual wine prize contests, or given by the DLG (Deutsche Landwirtschaftsgesellschaft = German agricultural society); this special mark of a wine's excellence also appears on the bottle and singles the wine out as above the usual quality of its group.

It is always advisable to gather personal experiences of individual vintners (called "producer" on labels), wine cellars (called "bottler"), the various vineyard sites and grape varieties.

The German wine label certainly gives much information on quality and taste of wines; all the same, to seek more personal advice is necessary, and apart from sources already mentioned (books, etc.), there are "German Wine Information Bureaus" in most of the larger countries importing German wine.

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Black Forest Girl
1983 Baden Qualitätswein bA
Medium Dry White Quality Wine
APNr: 1/803-A-11-83

Selected by: **DIETER STEINMANN**
Garden City, NY 11530

Imported by: **INTERNATIONAL VINTAGE WINES CO ., INC.**
Hartford, Connecticut

GERMAN TRADE FAIRS AND EXHIBITIONS

JANUARY-JUNE 1985

Date	Location	Name
January		
9-12	Frankfurt	heimtextil 85 — International Trade Fair for Home and Household Textiles
15-20	Cologne	International Furniture Fair
19-27	Dusseldorf	boot Dusseldorf — International Boatshow Dusseldorf
25-2/3	Berlin	International Green Week Berlin
26-2/3	Essen	DEUBAU 85 — 12th Building Exhibition and Building Congresses
29-2/3	Frankfurt	MICRO-COMPUTER '85
27-31	Cologne	ISM — International Sweets and Biscuits Fair Cologne
February		
1-5	Munich	INHORGENTA — 12th International Trade Fair for Watches, Clocks, Jewellery, Precious Stones and Silverware with their Manufacturing Equipment
5-8	Cologne	DOMOTECHNICA — International Fair for Home Appliances, Household Technology, Kitchens and Kitchen ware
7-13	Nuremberg	International Toy Fair with a Special Show of Model Construction Kits and Hobby Crafts
9-13	Frankfurt	Musikmesse Frankfurt — International Fair for Musical Instruments, Orchestral Electronics, Music Accessories, Printed Music
15-17	Cologne	International Men's Fashion Week
15-17	Cologne	International Jeans Fair Cologne
21-24	Munich	ISPO — International Sports Equipment Fair
22-24	Cologne	International Trade Fair, Children and Young People
23-26	Offenbach	International Leather Goods Fair
23-27	Frankfurt	Frankfurt International Spring Fair — International Trade Fair for Consumer Goods
25-3/1	Stuttgart	didacta — International Trade Fair for Schools, Education and Training
March		
2-8	Berlin	19th International Tourism-Exchange ITB Berlin 1985
3-6	Cologne	International Hardware Fair — Tools, Locks & Fittings, Building and DIY Supplies
6-12	Essen	EQUITANA — World Fair for Horse Sports
9-17	Munich	IHM — 37th International Light Industries and Handicrafts Fair The Fair for small and medium-sized Enterprises
10-13	Dusseldorf	144th IGEDO — International Fashion Trade Fair with DESSOUS SALON
14-17	Stuttgart	R 85 — International Trade Fair Blinds/Shutters + Sun Protection
14-17	Nuremberg	IWA — International Trade Fair for Hunting and Sporting Arms and Accessories
15-20	Hamburg	InternorGa — International Trade Exhibition for Hotels, Catering, Bakeries and Confectioners
19-23	Frankfurt	ISH — International Sanitation — Heating — Air Conditioning Trade Fair
23-25	Dusseldorf	GDS — 59th International Footwear Trade Fair
24-27	Munich	MODE-WOCHE-MÜNCHEN — International Fashion Fair
March	Cologne	West German Fine Arts and Antiques Fair Cologne-Duesseldorf
April		
13-21	Saarbrücken	International Saar Fair
16-18	Frankfurt	53th interstoff — International Trade Fair for Apparel Textiles
17-24	Hanover	Hanover Fair
21-23	Dusseldorf	145th IGEDO — International Fashion Trade Fair
22-26	Berlin	IFW — International Fair Water Supply in conjunction with WASSER Berlin
24-28	Frankfurt	International Frankfurt Fur Fair
26-28	Cologne	jobtex — Int. Trade Fair Work-Wear, Uniforms, National Costumes and Rental Laundry

GERMAN TRADE FAIRS AND EXHIBITIONS

JANUARY-JUNE 1985

Date	Location	Name
May		
2-5	Nuremberg	STUCK — European Specialist Exhibition Interior Finishing and Facades
3-10	Munich	INTERBRAU '85 — World Fair for Beverage Technology
7-9	Frankfurt	INFOBASE '85 — International Data Base Trade Show
7-10	Hamburg	PORTEX — International Port Exhibition in conjunction with Congress
7-10	Dusseldorf	INTERHOSPITAL — German Hospital Meeting and Interhospital
10-14	Cologne	INTERZUM — International Trade Fair for Furniture Production, Interior Design and Soft Furnishings, Upholstery Machinery
10-14	Pirmasens	IMS — International Footwear Manufacturing Fair
10-14	Pirmasens	Pirmasens International Leather Exhibition
15-21	Hanover	LIGNA HANNOVER — International Trade Fair for Machinery and Equipment for the Wood Industries
16-19	Cologne	ROOF + WALL — Specialized Trade Fair for Roof, Wall and Insulation Techniques
28-6/1	Berlin	Medical Congress Berlin in conjunction with International Pharmaceutical and Medico-Technical Exhibition
June		
June	Essen	ORTHOPÄDIE TECHNIK INTERNATIONAL — Trade fair for orthopedic technology, rehabilitation, related special branches and services
4-8	Cologne	IMB — International Clothing Machine Fair
9-15	Frankfurt	ACHEMA 85 — 21st Chemical Engineering Exhibition-Congress
13-16	Cologne	International Computer Show — Computers for Business, Home and Leisure
19-22	Hanover	Huhn & Sdchwein '85 — International Exhibition for Pig and Poultry Production

Trade Shows in U.S. with German Government Sponsored Pavillions 1985

1/15-17	Atlanta	Shot Show
3/24-28	Chicago	Housewares Exhibition
4/13-20	Chicago	PRINT
4/21-26	Chicago	Wine and Spirits Exhibition
9/12-15	Chicago	IMTEC Boat Show
10/2-6	Chicago	NOPA Office Products Exh.
1/31-2/3	Dallas	NSGA Sporting Goods Show
5/6-9	Houston	OTC Offshore Technology
3/18-21	Los Angeles	WESTEC Metal & Tool Exp.
September	Los Angeles	Woodworking Machinery & Furniture Supply Fair
6/22-25	New Orleans	NAMM Music & Sound Exp.
February	New York	Jewelry Trade Fair
3/3-5	New York	New York Prêt
5/19-22	New York	Stationery Show
May	New York	Fashion Accessories
July	New York	Jewelry Trade Fair
9/15-17	New York	New York Prêt
October	New York	N.Y. Fabric Show
November	New York	Showroom Show
August	Phoenix or Rosemont	ALOA Assoc. of Locksmiths of America
5/5-8	San Francisco	Gourmet Products Show
3/17-20	St. Louis	Kitchen & Bath Show
9/19-21	Washington	InterglasMetal

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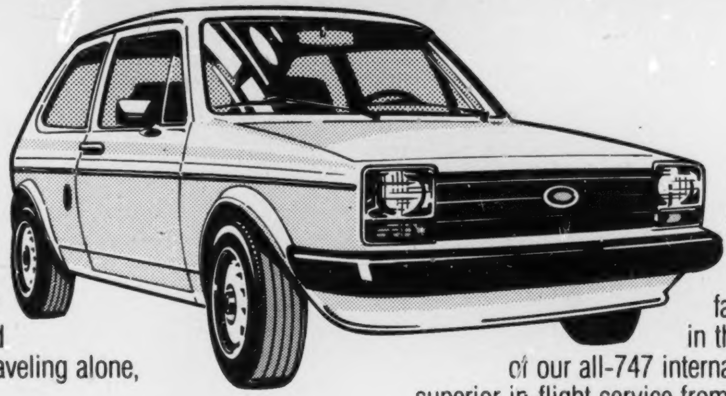

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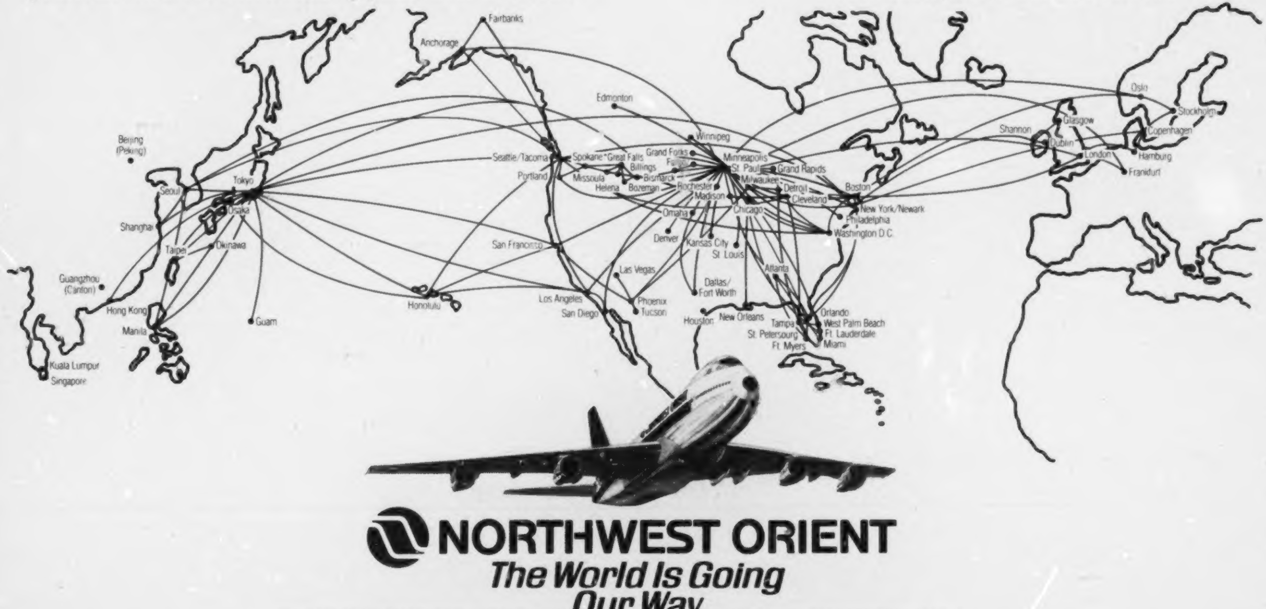
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Billings
Missoula
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Grand Forks
Fargo
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Minneapolis
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Madison
Milwaukee
Grand Rapids
Detroit
Cleveland
Chicago
Omaha
Denver
Kansas City
St. Louis
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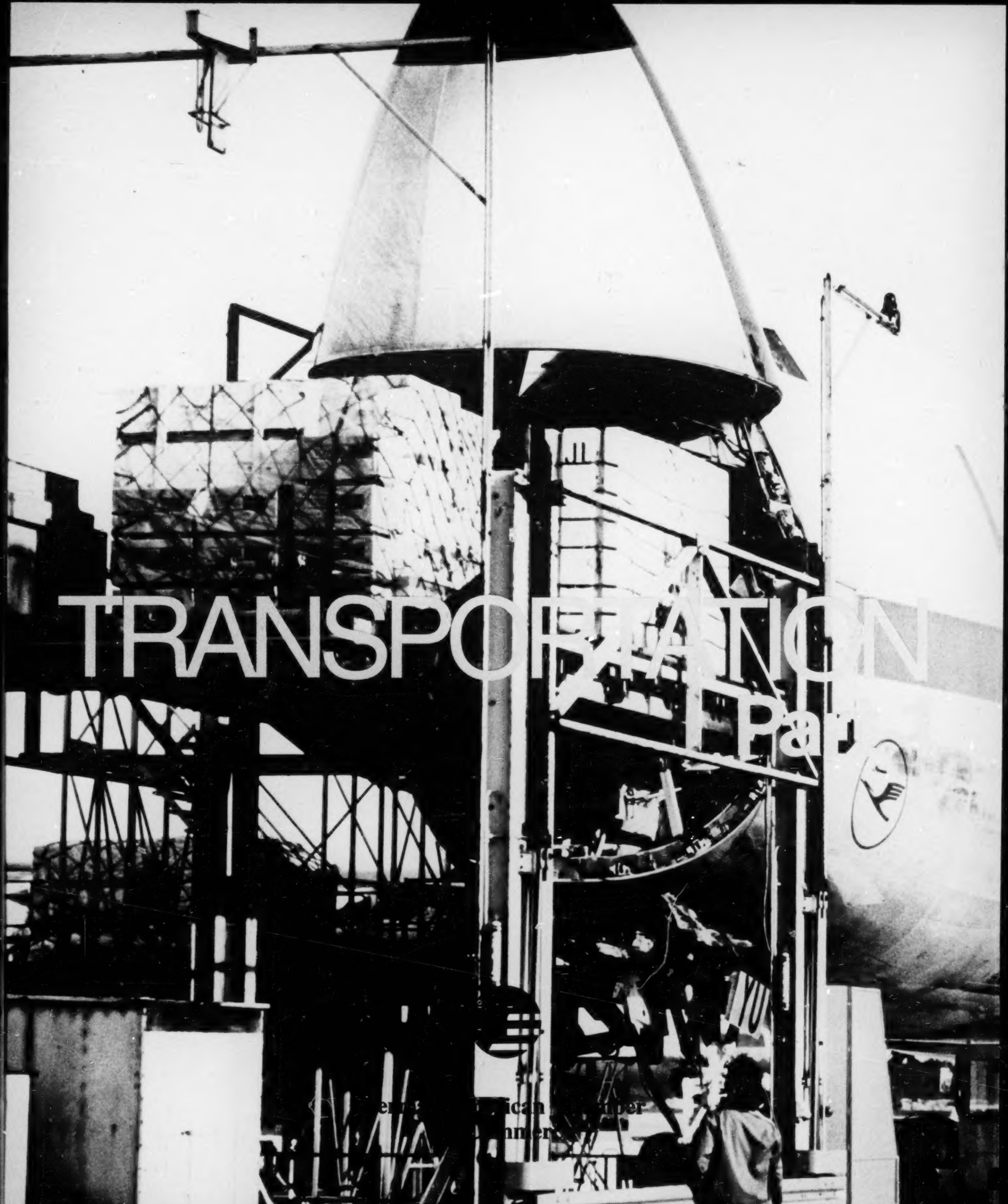

German American Chamber
of Commerce

The Freight Forwarder as an Organizer of the Transportation of Goods

The modern labor dividing economy with its numerous commercial transactions would be neither imaginable or possible at its present size without transportation as the connecting link from house to house or between various partners. And the importance of transportation — national as well as international — is steadily growing further with increasing industrialization, broadening purchase and sales markets, and the related intensification of trade relations. The progression of world-wide economic integration is causing a substantial increase in border-crossing transport. The Federal Republic of Germany, as one of the largest commercial nations in the world, is particularly affected by these transportation flows due to its central geographic location in Europe. New markets are opening up; the distances over which goods must be transported are lengthening.

At the center of this development is the freight forwarder ("Spediteur") who as a partner of industry and trade is entrusted with the organization of transportation of goods. The rational arrangement of transport functions is dependent on expedient choices and use of means of transportation. This is the job of the freight forwarder; it includes the organization of transportation chains. This organization has received new impulses from the dynamics of combined transport (container, ro-ro transport). The classical transport economics functions of freight forwarding today still mark its identity:

- *coordinating the transport demands of industry and trade and the performance capability of the carriers to the best possible extent;*
- *choosing the most advantageous service for the shipper's goods from the various carriers;*
- *assisting the carriers in marketing their transportation services;*
- *discovering or developing new, more economic and qualitatively better transport opportunities.*

Stated briefly, the freight forwarder may be characterized as one who arranges or carries out all tasks connected with transportation, storage and turnover of goods (and he already goes far beyond this in many logistics serv-

THE TRANSPORT VOLUME OF THE FEDERAL REPUBLIC OF GERMANY BY CARRIER

[millions of tons]

Verkehrstraeger (carrier)	1960	1984
Eisenbahnen (railways)	317.1	313.1
Binnenschiffahrt (inland waterways)	172.0	230.7
Strasse/Fernverkehr (road/long distance traffic)	99.2	327.8
gewerblicher Verkehr (transport for hire or reward)	71.3	146.9
Werkverkehr (transport on own account)	23.5	114.1
ausländische Fahrzeuge (foreign vehicles)	4.4	66.8
Rohrfernleitungen (pipelines)	13.3	57.9
Strasse/Nahverkehr (road/short distance traffic)	1,090.0	2,151.0
gewerblicher Verkehr (transport for hire or reward)	470.0	—
Werkverkehr (transport on own account)	620.0	—
Seeschiffahrt (merchant shipping)	77.2	131.2
Luftfracht [in 1.000 t] (airfreight)	81.0	700.0

Source: Bundesverband Spedition und Lagerei e.V.

ice packages). In particular, freight forwarding and storage enterprises perform the following functions:

ADVISING AND PROCUREMENT FUNCTION — choice of carrier, means of transport or transport route, negotiation of freight fees and conditions, conclusion of freight agreements, procurement of documents, etc.

TRANSPORT FUNCTION — execution of the tasks of the carrier, especially in road transport.

WAREHOUSING FUNCTION — advising on appropriate storage possibilities, actual storage (loading and unloading, storage, handling of goods, warehouse inventory management, commissioning).

FORWARDER'S GROUPAGE SERVICE — the grouping and separation of goods, execution of forwarder's collective transport (by truck, rail, air or sea), etc.

TRANSSHIPMENT FUNCTION — procurement and execution of transshipment of goods.

HANDLING FUNCTION —

- *Packing, marking*
- *Removal of marks of origin*
- *Repacking, remarking*
- *Examination*
- *Determination of quantity or quality, cleaning, grain drying, etc.*

INSURANCE FUNCTION — procurement of necessary insurance.

COLLECTION FUNCTION — collection of fees for transportation and price of goods.

CUSTOMS HANDLING FUNCTION — customs clearance.

FIDUCIARY FUNCTION — carrying out of special services as fiduciary (agent) between buyer and seller, especially in international commerce.

LOGISTICS FUNCTION — provision of full service in the procurement logistics of industry and trade; physical distribution of goods.

OTHER FUNCTIONS — handling of transportation of factories, special goods (fruit, dangerous goods, refrigerated goods, furniture, etc.).

FREIGHT FORWARDER ENTERPRISES IN GERMANY

In the Federal Republic of Germany, about 5000 enterprises with circa 200,000 employees offer these freight forwarders services. In 1982 the taxable returns in this sector amounted to about 31 billion German marks. In addition to these freight forwarding enterprises, there are about 38,000 other enterprises whose business purpose, in contrast to that of the freight forwarders, is strictly transportation of goods by truck. The great majority of these companies are engaged only in short distance traffic. Of course, there are also rail, inland shipping, ocean and air transport carriers, whose emphasis is on marketing their specific transportation services, while the freight forwarder is principally neutral as to type of carrier.

The freight forwarder's sphere of activities is also reflected in the fact that a substantial amount of the total transport volume is handled by freight forwarding enterprises: in commercial, long-distance highway transport 85% of the volume, 98% of goods transported by air freight, 10% of volume in inland shipping, in rail transport 20% of goods and in ocean transport about 80% of all general goods exports handled through the German ports — including some bulk goods.

The Service Offerings

The freight forwarding and warehousing sector offers a broad range of services to solve the logistics needs of the businesses shipping goods. The diversification in service offerings satisfies the shippers' desires for comprehensive performance packages. More than half of the enterprises engage in five or more service areas. Socalled all-round freight forwarders with a comprehensive range of services are represented in large numbers on the market. The following service areas are found most often in the freight forwarding and warehousing enterprises:

- *Trucking agent*
- *Short-distance trucking agent*
- *International freight forwarding*
- *Long-distance trucking, independent contracting*
- *Forwarder's groupage service, road*
- *Supply depot*

WHO DOES WHAT

The following list gives an overview of the service areas in which the enterprises in the German freight forwarding and warehousing sector are engaged (based on 5000 enterprises):

		Percent
Forwarder's groupage service road	Shipping	41.4
	Receiving	35.0
Forwarder's groupage service, railway	Shipping	10.1
	Receiving	9.8
Long-distance road houlage (self-contracting)		47.0
Road houlage agent		58.6
Short-distance road houlage		55.9
International forwarding	Export	50.9
	Import	44.2
Airfreightagent	Export	18.2
	Import	15.5
Shipping agent	Export	15.7
	Import	15.1
Agent for inland navigation		12.5
Removal contractor		11.9
Grain storage		4.3
Supply depot		36.2
Bulk goods depot		5.7

Source: Budensverband Spedition und Lagerei e.V.

International Freight Forwarding

More than half of all freight forwarding and warehousing enterprises are primarily active as international freight forwarders in the transportation industry. The Federal Republic of Germany's growing foreign trade integration, as shown by the increase in the export quota in terms of value (relationship of exports to gross domestic product) during the period from 1960-1980 from 15.8% to 23.5%, as well as the increase in the import quota from 14.4% to 23.1%, is reflected in the demand for freight forwarding services in international transport. One must keep in mind that the freight forwarding enterprises also are active in international transport completely outside the territory of the Federal Republic of Germany. Many freight forwarding companies have branches outside the country. Furthermore, they maintain close ties to foreign correspondence freight forwarders in order to offer the shippers through service. The choice of carriers, routes and transshipment locations, which is particularly influenced by transport value factors (price, quality) of the various carriers and by the sensitivity of the goods, requires a thorough understanding of the structure and developments in international transport markets.

In international transport, the services of various carriers must be combined. The international freight forwarder has special knowledge necessary for procuring and organizing transport services, for instance, regarding the transportation network, the carriers, import and export regulations, procurement of documents, payment modalities, delivery terms, customs laws, and transport insurance. The international freight forwarder is engaged primarily in transportation of goods across borders by road. However, freight forwarders also handle substantial amount in airfreight, shipments by sea, and international rail transport. With their groupage service (in which the forwarder combines small shipments from various shippers for the main course of the transportation and later separates these shipments), the enterprises also fulfill an important economic function in international transport. Ocean ports have become the major collecting point for combining general freight in containers for shipment by sea because the general freight shipments from the back country can be combined there into larger shipments. Trade and industry value seaport freight forwarders' use of containers which are sent according to previously published, set schedules and whose shipping times are excellent. This regularity and speed offer the shipper an attractive alternative to the use of whole containers. According to production conditions or in order to reduce inventory, it is possible to ship 5-10 m^3 every week or two instead of a full container every three months. This often provides im-

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proved flexibility for the shipper in his own supply capability as well as possibilities for reducing his capital investment costs. But even the small and middle-sized enterprises in industry and trade, which represent a substantial portion of German foreign trade, hereby receive the benefits of more favorable conditions and improved delivery service, consisting of delivery time, reliability, delivery condition and delivery flexibility. And in airfreight, the mixed consignment volume also shows a growth rate clearly above the average.

Groupage Service

The particular economic significance of mixed consignments also lies in the fact that every location in the Federal Republic of Germany is served *regularly* by the groupage services of many different freight forwarding enterprises in many locations. In addition to the dense network of collective traffic by road and rail, in which hundreds of locations in the Federal Republic are reached, in part on regular lines, by truck or train traffic, service also extends to the nearby and more distant areas surrounding the loading places and destinations. The time and place consolidation (collection and distribution) takes place by means of trucks owned or hired by the freight forwarders and used especially for this purpose; the individual shipments are picked up in the collection area surrounding the shipping location and brought to the freight forwarder's transshipment facility; in the service area surrounding the destination, they are delivered from the receiving freight forwarder's facility to the final recipient or are directly delivered by or picked up from the long-distance vehicle.

The shipping of goods in mixed consignments offers advantages for all participants. For the freight forwarder's customer these are shorter shipping times, more flexible adaptation to individual needs, more favorable prices as compared to individual shipments, and usually also opportunities for savings in packaging and the documentation used in handling the shipments. Advantages also result for the carriers, who receive complete shipments from the freight forwarders, which makes possible more efficient use of transport capacities.

Freight by Truck

Freight forwarding by truck is one of the major branches in a freight forwarding sector. In no other transport area are the freight forwarders engaged more heavily than in trucking, whether as trucking agents, groupage services or as independent contractors. The structural changes in the contents of shipped goods (the proportion of partially finished and finished products is growing) show that trucking satisfies industry and trade's demand profile to a special degree. Flexibility and the

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possibility of direct house to house transport without transshipment are particular advantages of trucking. In marketing transport services, freight forwarders have also succeeded in utilizing trucking as rationally as possible. One should also point out here a variation of combined traffic which is called "piggy back" in the Federal Republic of Germany; for the main course of the transport, the containers (trailers, swop bodies) or the complete trucks are carried by train. All important transport locations in the Federal Republic of Germany can be reached overnight.

The freight forwarder takes care of handling the goods for the carrier, so that the carrier essentially only has to execute the transport. The handling freight forwarder must regularly fulfill the following tasks:

① Proper calculation of the freight fee
② General and individual advertising for long-distance truck traffic
③ Preparation of shipments for transport
④ Preparation of shipping documents
⑤ Handling of freight payments
⑥ Participation in procedures for collection on delivery
⑦ Provision of adequate storage and transshipment facilities for receipt and delivery of goods
⑧ Ensuring smooth receipt and delivery of individual shipments
⑨ Handling of tax and customs formalities to the extent these are the responsibility of the trucking enterprise.

Logistics — A Freight Forwarding Service

The rising competitive intensity in many sales markets and great cost pressures are causing industry and trade to include movements of materials and goods more heavily in their efforts to rationalize. The logistics costs arising in the framework of individual logistical functions (handling of orders, storage, inventory management, packing, transshipment, transport), based on various studies can amount to up to 30% of returns. Using the concept of logistics in a general way to mean the flow of goods and information from raw materials suppliers to the ultimate consumers, we are justified in designating logistics as a classical task of freight forwarders. There is a growing willingness in industry and trade to transfer logistical tasks to freight forwarding and warehousing enterprises. Some examples can indicate the range of these services:

Freight forwarders act as regional distributors for goods from industry and trade. These distribution centers are run with regional supplies of goods. The freight forwarder's service offering extends from the consignment of goods to marking of prices to servicing of the shelves in stores. The distribution of goods throughout the entire Federal Republic of Germany within a 24-48 hour period is becoming more and more standard. The qualitative improvement in this service is made possible primarily through the use of data processing and exchange of data by means of teleprocessing.

Freight forwarders maintain large factory shipping warehouses together with the shippers. The close cooperation with the industrial enterprises is apparent in that personnel from the freight forwarders work within the manufacturing enterprises. An independently operating branch of the freight forwarder may work on the premises of the industrial enterprise undertaking tasks such as movement, handling and consignment of goods and administrative handling in close cooperation with various departments of the enterprise.

Freight forwarders handle the shipping of large volume factory and project deliveries world-wide at all levels

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of project control from the supplier to the construction site.

Department and catalog stores in the Federal Republic of Germany are increasingly ordering goods from foreign countries, primarily from the Far East. Freight forwarders have developed procurement logistics systems for this purpose. In addition to requesting delivery, the freight forwarder handles quantity and quality control, intermediate storage, and packing overseas. Furthermore, a network of collection warehouses is established near the suppliers with qualified personnel and standardized facilities and information systems. These logistics centers overseas are in constant contact, supported by electronic data processing, with the logistics centers in Germany. They control the loading overseas, which is oriented toward the later unloading, transport control and documentation, and notification to the correct sales locations in Germany.

High flexibility regarding quantity fluctuations and optimal mixture of models will characterize future demands on enterprises in the automobile industry. In order to meet these demands, freight forwarders along with automobile manufacturers have developed concepts which are drawing the freight forwarders and suppliers more strongly into the formation of through transit procurement logistics. The major tasks of these concepts are in

- *reduction of inventories and tied capital*
- *improvement in utilization of materials and production*
- *decreasing costs of processing orders*

The concepts include control, execution and monitoring of the flow of goods from the suppliers to the automobile manufacturers' receiving locations by

- *an electronic data processing network between the supplier, the freight forwarder and the automobile manufacturer.*

The information available at all times concerning the transportation status of the goods allows

- *the supplier to react rapidly to changes in orders*
- *the automobile manufacturer to efficiently use materials and to space production evenly through early recognition of interference factors*
- *the freight forwarder to better control and fully utilize his capacities.*

These logistics applications examples show clearly that freight forwarding and warehousing enterprises are gaining access to new markets through their full service offerings. The successful development and control of logistical systems depend on increased cooperation between the freight forwarder and industry and trade, which is possible only with mutual trust.

SOURCE OF FURTHER INFORMATION:
Bundesverband Spedition und Lagerei e.V., Weberstrasse 77, 5300 Bonn 1, Federal Republic of Germany

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NEARLY 300 AIRLINES ARE PRESENTLY AUTHORIZED TO FLY IN THE U.S.

By Hans P. Wiedeman

Looking at the map of the United States of America compared to that of the Federal Republic of Germany, one clearly sees the difference in size. Historically all transportation was carried out by means which moved on the surface of the earth. Despite development of these surface movements, the greatest change in mobility came with the appearance of the airplane. And mankind has not stopped there.

We have already set foot on the moon, walked in space, and developed plans for space colonies. At this time, however, we want to focus on the more common way of flying and the present status of air transportation in the countries named before.

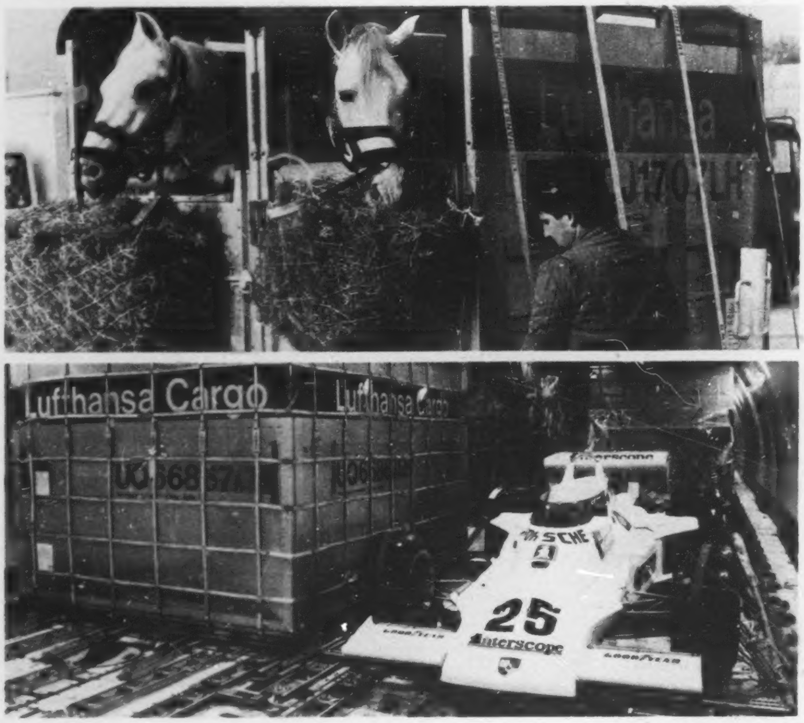
For many years flying was mainly used for the transportation of passengers. The familiar airmail letter between continents or an occasional air parcel with its size and weight limits did not yet anticipate the development and changes to come. Today we find two completely different kinds of air transportation requirements: one for passengers and another for cargo.

AIR TRAVEL: PASSENGERS

A mileage chart of distances between major cities in the U.S.A. usually indicates they are at least some hundreds of miles apart and in most instances the distance exceeds the thousand mile mark or a multiple thereof. To cover such dimensions in a minimum of time, which for the private individual is a rare and precious commodity, air travel is the only solution although it can take a whole day to go from one end of the country to the other.

Of a total of 296 airlines which are presently authorized to fly in the U.S.A., 218 are regional (commuter) airlines. Their dense network of services and interlocking connections cover the country and provide transportation for businessmen, students, vacationers, or visitors who need to get quickly from one place to another. No bus, boat or train could match the speed or handle the equivalent number of passengers.

In a ranking of the busiest airports in the U.S.A., we find that the top 15



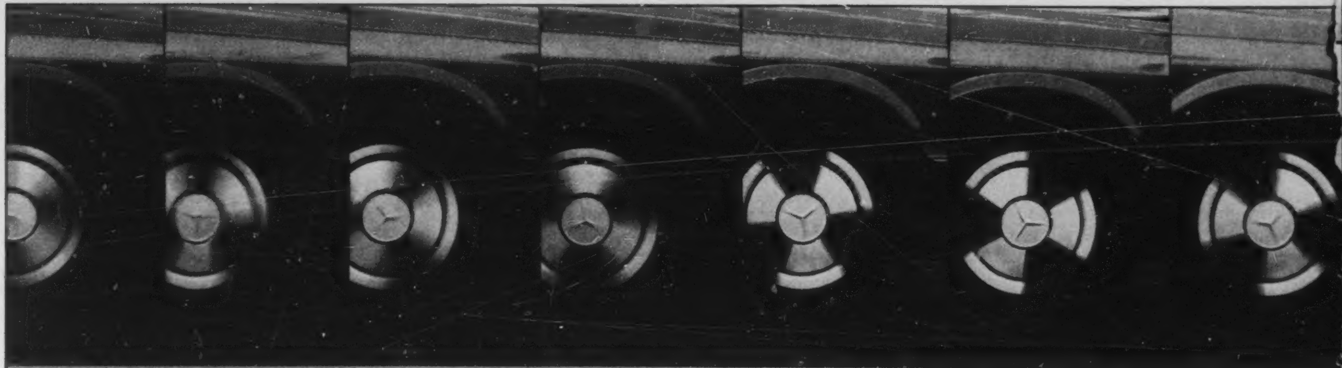
Twenty eight of the famed white Lipizzaner stallions from the Spanish Riding School in Vienna were flown to Chicago from Frankfurt on board two regularly scheduled Lufthansa Boeing 747 Combi flights (top). Lufthansa first airlifted the horses to the U.S. in November 1982 for performances in three East Coast cities. A Porsche Formula I racing car in the main cargo hold of a Lufthansa Boeing 747F freighter (bottom).

Individual Airline Service in U.S.

Freight Ton Miles (1983)
(000)

1. Flying Tiger	2,019,238
2. Northwest........	829,125
3. Pan American	680,116
4. United...........	592,045
5. American	511,217
6. Trans World......	336,287
7. Delta............	234,504
8. Eastern..........	231,435
9. Continental.......	138,587
10. Western	117,975

MERCEDES-BENZ



Wet road, hard braking–and within the one-second sequence dramatized above, the Mercedes-Benz Anti-lock Braking System acts to electronically

For 1985, Mercedes-Benz introduces something more important than a new model.

THE MERCEDES-BENZ sedan speeds straight toward a patch of test track slicked down with a diabolical mixture of soapsuds and water.

A splash as the tires meet wet pavement–and then the driver slams on the brakes.

But what seems bound to happen in the next heart-stopping instant, doesn't happen. Violent braking action on that treacherous surface sets off no violent counterreaction.

That Mercedes-Benz sedan simply snubs down to a quick, straight-line stop. Soapsuds and water and all.

THE MERCEDES-BENZ ANTI-LOCK BRAKING SYSTEM COMES TO AMERICA

That Mercedes-Benz sedan has just demonstrated the most emotionally reassuring advance in passenger car braking control since the disc brake.

It is the Mercedes-Benz Anti-lock Braking System, or ABS. And having pioneered both its early development and its subsequent use in production automobiles, Mercedes-Benz now proudly introduces this significant engineering feature to America. It is being fitted as standard equipment to every 1985 Mercedes-Benz 500SEC Coupe, 500SEL Sedan, 380SL Coupe/Roadster, 380SE Sedan and 300SD Turbodiesel Sedan, and as an extra-cost option to the 190E 2.3 and 190D 2.2 Sedans.

Functioning in concert with the car's four-wheel disc brakes, the Mercedes-Benz Anti-lock Braking System is meant to first sense the impending lockup of one or more of the car's wheels in a sudden braking emergency –then to act, with lightning speed, to avert it.

The benefits are clear. By minimizing the risk of the car's wheels locking up in hard braking, the system can also minimize the potential consequences: the sudden loss of tire adhesion that could turn a steerable vehicle into a sliding object no longer under the driver's full control.

More reassuring still, the system is designed for braking emergencies on slippery-wet roads as on dry roads–indeed, to maintain optimum braking performance almost regardless of road surface conditions.

SENSING TROUBLE BEFORE IT BECOMES TROUBLE

The decision-making "brain" of the Mercedes-Benz Anti-lock Braking System is an on-board computer. Electronic sensors, placed at both front wheels and at the drive pinion of the rear axle, are the system's vital nerve ends.

In a moving car under normal driving conditions, those sensors are constantly signaling the rotational speed of the wheels to the computer. Registering a millisecond-by-millisecond electronic bulletin on the precise state of adhesion between the car's tires and the road surface.

Then comes that sudden emergency. The driver reacts to danger ahead by reflexively hitting the brake pedal hard; hard enough, in a conventional braking system, to risk locking up one or more of the car's wheels.

But those electronic sensors

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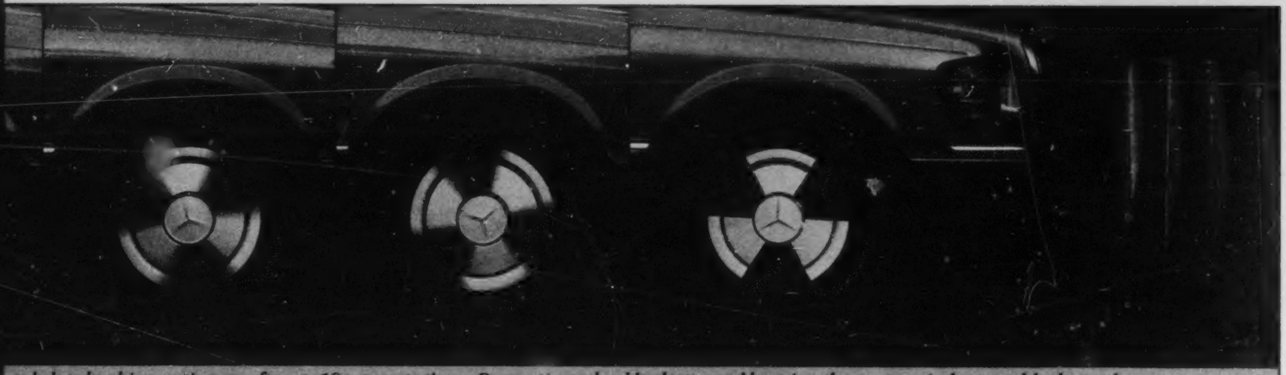
1985



odulate braking action as often as 10 separate times. Preventing wheel lockup–and keeping the car precisely steerable throughout.

have already detected the onset of wheel slip and alerted the computer. And the computer starts regulating fluid pressure in the brake lines. Modulating and cadencing brake pressure, via solenoid valves in the brake lines, as often as *ten times* per second. Countering lockup of all four wheels or any individual wheel.

And thereby allowing the car to be swiftly and smoothly decelerated. Allowing the car to be precisely steered and maneuvered *as* it decelerates. Helping the driver to avoid a collision, or simply to stay on the road.

6,000,000,000 MILES

Mercedes-Benz began development work on the principle of the anti-lock braking system as far back as 1959, first fitted a working system to a production automobile in 1978, and has since seen 250,000 of its cars roll up over *six billion miles* of experience with the system worldwide.

Once again following where Mercedes-Benz has shown the way, some domestic and foreign makers will shortly introduce similar anti-lock braking systems to America. They can emulate the idea. They cannot emulate this depth of experience.

The entire system is designed to be electronically self-checking, constantly monitoring itself and primed to shut down instantly should a malfunction ever be indicated. The car's separate four-wheel disc brake system would, of course, remain fully operational.

In terms of enhancing control of the car in a braking emergency, the Mercedes-Benz Anti-lock Braking System may be the best ally a driver has ever had. In terms of automotive leadership, this major advance underscores the truth of the motto below: for 1985, as for the past 99 years, the automobiles of Mercedes-Benz are indeed engineered like no other cars in the world.

Engineered like no other car in the world

SEE YOUR AUTHORIZED MERCEDES-BENZ DEALER handled from 11.7 to 37.7 million passengers each during 1983. The ten next lower ranked, showed passenger volumes of between 5.8 and 9.9 million and all U.S. scheduled airlines together counted 317.9 million passengers enplaned during 1983.

Top 20 U.S. Airports

		PASSENGERS (1983)
1.	O'Hare, Chicago	37,743,598
2.	Hartsfield, Atlanta	34,702,494
3.	Los Angeles	32,383,105
4.	Kennedy, New York	26,452,508
5.	Dallas/Fort Worth	24,726,741
6.	Stapleton, Denver	24,553,249
7.	San Francisco	21,028,788
8.	Miami	19,387,619
9.	LaGuardia, New York	18,516,891
10.	Boston-Logan	15,867,722
11.	Honolulu	15,610,755
12.	Washington National	13,036,226
13.	Houston Intercontinental	12,501,370
14.	Lambert-St. Louis	12,007,363
15.	Newark	11,731,062
16.	Greater Pittsburgh	9,986,374
17.	Seattle-Tacoma	9,278,737
18.	Philadelphia	9,232,609
19.	McCarran, Las Vegas	9,167,044
20.	Detroit Metropolitan	8,953,966

Source: Airport Operators Council International

Looking east across the Atlantic we realize that Germany is covered by a tight railroad network whose terminals are practically always in the center of town giving the Federal German Railroad a tremendous access advantage. Where faster transportation is required, the automobile is the clear favorite.

At this point one has to remember the difference in size and distances in both countries. Although flying has picked up enormously in the recent past, air travel is not a domestic issue, freight, it becomes clear that the emphasis is on the supply of a domestic market. Meeting delivery deadlines, replenishing stock systematically or taking advantage of a combined time/cost-factor have led to the establishment of a diversified air freight indus- as in the U.S.A., but today's way of going to neighboring capitals, business centers or visiting other countries. Altogether 47.6 million passengers were counted in 1983 at German airports of which approximately 35 percent are considered domestic traffic.

AIR FREIGHT: CARGO

Talking to the majority of traffic managers in the U.S.A. about air try and a special high volume express or courier service. The increase in air freight has brought about the all-cargo version of airplanes with operators exclusively dedicated to the air-freight.

These operators provide specialized service to foreign destinations and since special projects often must be delivered off the customary routes, schedules and rotations can be amended as needed. There is also a demand for seasonally operated cargo charter services that are also used when they provide the only equipment suitable for a given task.

Again turning to the Federal Republic of Germany we find that the total air freight volume for 1983 amounted to 892,649 metric tons of which less than ten percent were shipments between inner-German destinations.

Top 10 German Airports

	PASSENGERS (1983)
Berlin	4,138,615
Bremen	669,862
Duesseldorf	7,381,675
Frankfurt	17,757,266
Hamburg	4,288,462
Hannover	1,784,867
Cologne/Bonn	1,744,815
Munich	6,356,666
Nuernberg	755,402
Saarbruecken	147,473
Stuttgart	2,613,947
TOTAL	47,639,050

Source: Flughafen Frankfurt Main AG

Apparently enough adequate surface delivery systems at justifiable costs are available to ensure fastest delivery within 24 hours respectively overnight. It is therefore understandable that domestic air freight is not in such a great demand.

While this brief comparison only touches the basics of air transportation in both countries, it may contribute to the understanding that this subject has different dimensions and implications in each country, due to the inequality of size, population, customs, habits, and other non-defined reasons and circumstances.

However, nobody can deny that without air transportation life and business could not function in the ways we are used to and many things would be rather complicated, delayed or not possible at all.

About the Author:
Hans P. Wiedemann is Vice President of Carl F. Ewig, Inc., New York, who is the U.S. representation of Flughafen Frankfurt Main AG.

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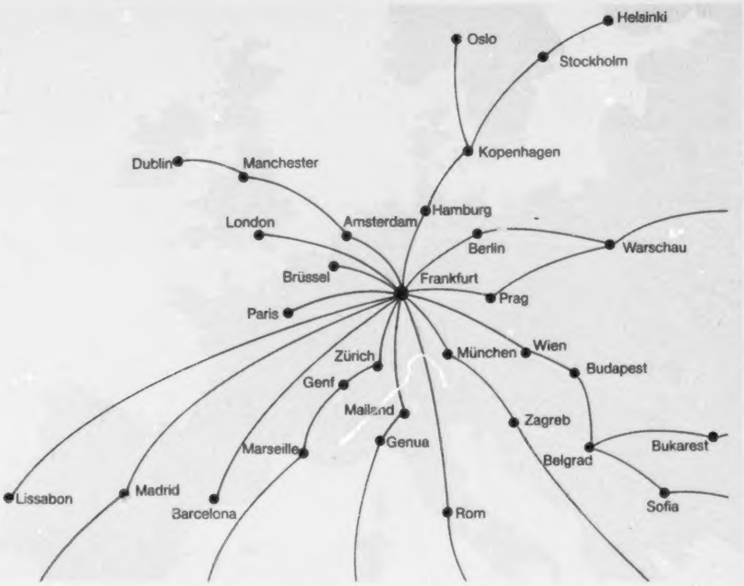
Now, Frankfurt and its airport have added something new which makes it an even more important international business center. Frankfurt Airport and Lufthansa have opened a new free port trading center: Tradeport Frankfurt. It provides comprehensive marketing and exporting services and is sure to set a trend for future export business.



Tradeport Frankfurt is at the geographic center of Europe — a very convenient location. It is represented at every important trading center throughout the world by the Lufthansa network and its many freight agents.

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A Trade Zone For JFK

Taken together, the New York-New Jersey region's two international airports, John F. Kennedy International and Newark International, represent the busiest international air cargo center in the United States. Over 1.5 million metric tons of cargo, valued at more than $60 billion, move through these airports' vast air cargo facilities every year.

Now a new incentive is about to be added to the many other advantages of shipping international cargo through the Port of New York and New Jersey. Early this fall, a 1700-plus-acre area of Kennedy International is to be designated a Foreign Trade Zone (FTZ) by the U.S. Department of Commerce, the second step in a planned multimodal, three-zone program that already includes such a zone at Port Newark and Elizabeth Porth Authority Marine Terminal. By the end of 1985, a portion of Newark International Airport is expected to be declared an FTZ as well.

But what is a Foreign Trade Zone? What are its advantages to you as a manufacturer/shipper? A Foreign Trade Zone is a duty-free, secured area, legally outside United States Customs territory, where all manner of goods finished or unfinished, can be stored, inspected, exhibited, tested, relabeled, repackaged, processed, assembled, or even manufactured. Because no duties are payable until the goods leave this zone, use of the zone can be a powerful tool for increasing cash flow. Equally important, the value of U.S. parts and labor added in the zone can be excluded from Customs duty assessments. This feature can make it more attractive for U.S. firms that depend upon imported parts to manufacture their products in the United States, employing domestic labor. At the same time, it encourages foreign trade by making it economically feasible for foreign manufacturers and U.S. importers to combine their products with American-made materials for import into this country or reexport overseas.

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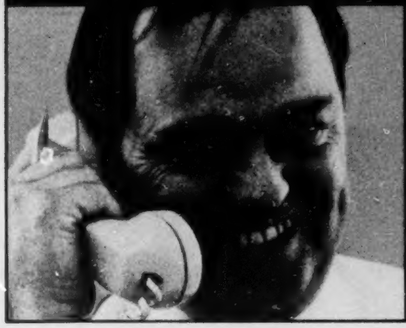

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THE ROLE OF THE FOREIGN FREIGHT FORWARDER

By JACK L. KOVEN

Throughout the world Agreements between two (2) parties providing for the sale and purchase of merchandise is commonly conducted by means of an instrument called the "Sales Contract".

The "Sales Contract" is universal, and is based upon the principle that when one party accepts all of the terms offered by the other party, a valid Sales Contract has been established and both parties are in complete harmony.

The instrument of a "Sales Contract" thus becomes the document which spells out what conditions are to be fulfilled, what the prices are, who will be responsible for the segment of the various items of the contract. Essentially, it spells out who will be responsible and assume the risks during the various segments of the sale from the point of manufacturer to the delivery to the door of the final consignee.

Most contracts are referred to as "A Shorthand Transaction". They very simply specify the quantity of the goods ordered and the stated price for delivery to a specific point at a specific time. There are of course times when two parties will prepare a rather long and detailed agreement, to assure each other that all obligations have been addressed and agreed to in advance. This normally occurs if the conditions of sale are rather complex and involve great sums of money.

Referring back to the "Shorthand" contracts, they embrace what we refer to as the "General Standard Conditions of Agreement". These are standard contract terms that permit the parties to refer to a pre-established set of rules that can be incorporated into their contract.

These conditions are not put into effect automatically. They are negotiated conditions, per contract, which then become binding on both parties.

One set of conditions is referred to as "Incoterms" which are "trade terms" that provide uniform rules-of-trade conditions between buyer and seller.

Today, "Incoterms" have become the universal standard of trading terms, as adopted by the International Chamber of Commerce and used by the United States to replace its formerly used "American Foreign Trade Definitions".

How do trade terms interplay with transportation and the role of the Foreign Freight Forwarder?

In the realm of Trade Terms, there are certain basic questions which must be answered for every international trade transaction. Categorically the questions are:

- Who arranges and pays for the carriage of goods from origin to destination?
- Who will assume the risk if the operations cannot be carried out?
- Who will assume the risk of any loss or damage while the cargoes are in transit?

In order to answer these questions and identify the areas of responsibility between buyer and seller, we refer to our "Trade Terms". Each of the terms will mean a different division of responsibility between the buyer and seller as to COSTS, RISKS and RESPONSIBILITIES. However, the main function and responsibility of Trade Terms is to determine at what point the seller has fulfilled his contract obligations so that legally the goods have been delivered to the buyer.

Selecting two commonly used Trade Terms, let us see how they affect the parties of responsibility.

"Ex Works" — Sellers' responsibility is to make the goods available at premises or factory. All costs from the factory to the ultimate destination are for the account and responsibility of the Buyer.

Looking at another term commonly used, c.i.f., we see how the responsibilities change. In this case, the Seller assumes the responsibility to pay and arrange for the bringing of the goods to the designated destination, which includes providing insurance for eventual loss or damage of the goods during transport.

What we see here are two different terms with different responsibilities for the Buyer and Seller and different arrangements that have to be made by each of them to transport the goods to their final destination. WHO is to do this arranging? WHO is to advise the Seller of the most economical means of arranging transport? WHO is to arrange for insurance? WHO is to book the cargo with the international carriers? WHO is to prepare all of the documentation formalities necessary to export these goods? The answer to these questions is that they are the responsibility of the Foreign Freight Forwarder.

A Foreign Freight Forwarder brings together all the loose ends that must be coordinated if products are to be shipped to foreign buyers in the course of our nation's international trade.

Acting as the exporter's agent, the

forwarder must be able to advise on the many government regulations affecting foreign trade, as well as the import rules of various foreign countries. He must have a detailed knowledge of ports and their facilities and be able to advise the shipper as to the best port of shipment for the fastest transit time. He prepares and/or verifies the various shipping documents and arranges for the necessary licenses. He books or confirms space on the ocean and air vessel, he arranges transportation of cargo to vessel by rail or truck, he arranges cargo insurance on behalf of the exporter, he pays air freight and ocean freight costs for his principal, and generally orchestrates the entire movement of goods from point of origin to airport and beyond, in the most efficient and cost-saving manner.

The Foreign Freight Forwarder must have an intimate knowledge of transportation techniques . . . both their possibilities and their limitations . . . and must have the inherent ability of knowing how to advise and act in the best interests of his exporter principal.

Let's apply this concept to our business at hand to see if we can perceive the "Freight Forwarder" as an "Architect of Transportation".

Mr. Manufacturer, in our scenario, is the idea man whose creative technology has developed an extremely efficient and marketable product. He knows it is marketable because he has a good sales record in the United States. Mr. Manufacturer has a marketing program intended to increase the sale of his product which involves reaching new markets, International Markets, but how? Let's compare the analogous components of the architect and the freight forwarder. We have the idea of the manufacturer — his intent to expand by marketing his product in the international arena; we have the functional purpose of his idea — to increase his sales through export. But how do we go about it, what do we do to get someone interested in our product? And once interested, what is the best way, meaning the safest and most economical as a first concern, to get it to the foreign marketplace?

Well this is where we must call upon the "Architect" or, Forwarder to advise us on how it can be done, or how this intended marketing scheme can be realized and at what cost.

The best place for a domestic manufacturer to get foreign exposure for his product is at an international exhibition specifically dealing with his trade. A few large foreign freight forwarders maintain offices, in the United States and in foreign countries. They are actively engaged in the handling of cargoes at fair grounds and exhibition halls around the world. Handling of cargoes in this context is intended to mean the physical cargo movement from the Port of Entry to the exhibition site, plus erection of the exhibition stand and final display of the exhibition material.

Often coupled with the job of physical cargo movement by an International Freight Forwarder is the sales and promotion of the exhibition itself. In the capacity of sales agent for an international trade fair organizer, a freight forwarder is obliged to activate the international network of offices that help promote the sale of exhibition space.

We have now seen the Architect/Freight Forwarder in a different role, the role of introducing potential exhibitors to the international marketplace as a by-product of his role as an exhibition forwarder. So, now we have introduced Mr. Manufacturer to the international marketplace through a trade/fair exhibition, but who is going to help prepare the documentation?

As a documentation specialist, a freight forwarder is able to prepare the required documents of the U.S. Customs Export Declaration, including the ocean bill of lading or airway bill, the commercial invoice if requested by the manufacturer/exporter, and the packing list. Additionally, he may be required to prepare consular documents, certificates of origin, insurance certificates, and a forwarder receipt or bank draft.

He knows carriers and their carrying capabilities. He knows rates, and has the ability to find the most appropriate rate in respect to the nature of the material he is requested to transport. A forwarder is trained and capable of understanding Mr. Exporter's needs and therefore be able to recommend a type of service beneficially suitable for the transport movement. Referring back to our "Sales Contract", if payment of the merchandise is contingent upon a C & F or c.i.f. sale, in which case payment for the cost of material, plus freight and possibly insurance will only be granted upon the issuance of a document which provides proof of export (an on-board bill of lading), the forwarder may suggest the use of domestic AIR FREIGHT instead of truck to the port of embarkation to meet a specific vessel's sailing with the knowledge that a letter of credit may be presented and honored by the bank once the on-board bill of lading is obtained. In another instance, the manufacturer may consider his market position as being a much more competitive one. Mr. Manufacturer may want to absorb the cost differential between an ocean shipment and an air shipment to gain a competitive market advantage. On proper counsel, the manufacturer may want to treat the residual difference as a marketing or sales investment. The forwarder is in the unique position, based upon his knowledge of the carrier market to render comparative quotations to the manufacturer so that a decision made by the manufacturer in this regard, is an intelligent one and has weighed all the factors.

Thus the "Architect of Transportation", the Foreign Freight Forwarder, is really several related entities in one.

About the Author:
Jack L. Koven is Executive Vice President, Schenkers International Forwarders, Inc., Member of the Board of Governors — New York Foreign Freight Forwarders, and Customs Brokers Association.

TRANSPORTATION
PART 2

Our next transportation issue will examine shipping • railroads • trucking • international movers.

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Figures that talk

Bayerische Vereinsbank Group 30.6.84 (in billion DM)

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Bonds Issued in Long Term Loan Sector 65.5	Capital Resources 2.5	Staff (31.12.1983) 12979

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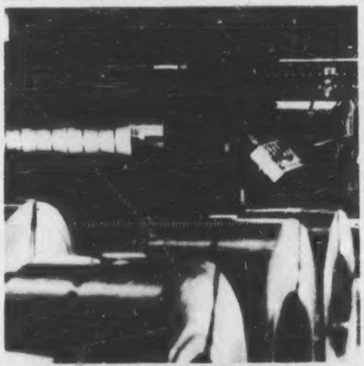
The 100 Largest Companies in the Federal Republic

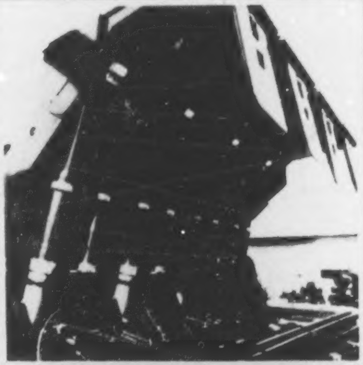
Rank		Company	Sales (Million DM)	Employees
1983	1982			
1	1	Veba	47,927	77,157
2	4	VW	40,089	231,710
3	3	Daimler-Benz	40,005	184,877
4	2	Siemens	39,471	313,000
5	6	Bayer	37,336	174,760
6	5	Hoechst	37,189	179,849
7	7	BASF	37,063	114,128
8	8	Thyssen	28,368	139,197
9	9	RWE	24,118	70,354
10	12	Ruhrkohle	18,382	130,001
11	10	Deutsche BP	17,878	7,804
12	14	Krupp	17,273	69,291
13	13	Deutsche Shell	16,603	7,838
14	11	GHH	15,883	79,587
15	20	Opel	14,707	59,379
16	17	Bosch	14,352	109,725
17	16	Esso	14,331	4,216
18	15	Mannesmann	14,074	104,795
19	22	BMW	14,026	50,158
20	21	Ford	13,354	48,029
21	18	Ruhrgas	12,888	2,917
22	23	Preussag	12,477	20,423
23	19	AEG	11,527	76,600
24	29	Degussa	11,097	21,369
25	27	IBM	10,523	27,290
26	28	Flick	9,949	42,560
27	25	Metallgesellschaft	9,791	22,123
28	26	Salzgitter	9,473	51,491
29	24	Mobil Oil	9,394	2,451
30	30	Deutsche Unilever	8,621	30,724
31	31	Henkel	8,470	32,534
32	36	Deutsche Babcock	8,055	29,747
33	33	Philipp Holzmann	7,868	37,950
34	32	Deutsche Texaco	7,779	4,505
35	34	Hoesch	6,736	35,300
36	35	Klöckner-Werke	6,498	33,805
37	42	Saarbergwerke	6,485	31,963
38	37	Deutsche Philips	6,262	32,000
39	38	Bertelsmann	6,217	30,948
40	39	VIAG	5,900	24,435
41	41	MBB	5,875	36,790
42	40	VEW	5,819	7,297
43	43	Enka	5,058	34,830
44	45	BBC	4,949	37,648
45	44	KHD	4,814	25,875
46	46	Hochtief	4,691	30,334
47	48	Bayernwerk	4,555	9,539
48	49	SEL	4,293	30,721
49	52	Schering	4,283	22,789
50	51	Boehringer-Ingelh.	3,831	22,597
51	47	Bilfinger + Berger	3,522	26,412
52	50	Neue Helmat	3,414	4,388
53	53	Continental	3,387	26,688
54	55	Deutsche Nestlé	3,373	11,764
55	58	Linde	3,364	18,622
56	57	Rütgerswerke	3,347	11,238
57	58	Werhahn	3,238	11,251
58	64	Bosch-Siemens	3,104	12,729
59	64	Oetker	3,100	10,000
60	61	Grundig	3,057	28,914
61	65	Zeiss-Stiftung	2,955	28,500
62	63	ZF-Friedrichshafen	2,864	21,436
63	66	ITT-Beteiligung	2,831	19,833
64	62	ARBED-Saarstahl	2,730	16,236
65	71	Elf-Mineralöl	2,716	736
66	80	Nixdorf	2,712	17,521
67	59	W.C. Heraeus	2,694	6,212
68	70	Merck	2,672	19,679
69	60	Strabag	2,664	18,042
70	72	Freudenberg	2,623	21,600
71	68	PWA	2,616	10,407
72	82	Energie-Vers. Schwaben	2,588	4,670
73	88	Nordd. Affinerie	2,560	3,260
74	67	Polygram	2,478	10,998
75	—	Deutsche ICI	2,466	5,300
76	75	Rheinmetall	2,462	14,886
77	73	FAG-Kugelfischer	2,401	27,900
78	78	Conti-Gas	2,388	2,261
79	79	HEW	2,376	5,868
80	81	Axel Springer	2,363	11,433
81	84	Beiersdorf	2,359	13,600
82	77	Stadtwerke München	2,341	10,281
83	76	Batig	2,317	11,121
84	87	Badenwerk	2,300	3,631
85	91	Wacker	2,287	11,096
86	83	Reemtsma	2,275	9,419
87	86	Dyckerhoff & Widmann	2,239	15,742
88	—	Porsche	2,134	5,883
89	92	Fichtel & Sachs	2,115	15,779
90	85	Michelin	2,002	9,458
91	90	Du Pont	2,000	4,003
92	95	Bewag	1,995	6,394
93	94	Eschweiler Bergw.	1,967	17,651
94	96	Energievers. Weser-Ems	1,923	1,649
95	100	Benteler Werke	1,827	7,450
96	—	Melitta	1,800	9,500
97	89	Dillinger Hütte	1,794	5,575
98	—	T & N	1,777	18,177
99	—	Miele	1,766	11,355
100	98	Diehl	1,762	12,482

SOURCE: DIE ZEIT (Hamburg)

THYSSEN

Our Activities





1

Domestic Steel Sales

THYSSEN STEEL CO.

Eastern Division · New York
Southwestern Division · Houston
West Coast Division · Los Angeles

Rolled Steel Mill Products
Wire and Wire Products

Thyssen Specialty Steels
New York
Stainless, Tool and
Bearing Steels

5

Industrial Products

Thyssen Rheinstahl Technik · New York

Equipment, Machinery, Industrial Products
(Specialty Chains, Forgings, Castings)
Equipment and Parts for Offshore Rigs
and Platforms · International Industrial
Construction Services

Thyssen Mining Equipment
Marion, IL

Longwall and Related Mining Equipment

2

Steel Service Centers

THYSSEN STEEL CO.

Thyssen Steel Detroit Co.
Thyssen Metal Service/Southeast
Fort Lauderdale
Thyssen Metal Service/Southwest
Houston
Thyssen Metal Service/West Coast
Long Beach
Thyssen Specialty Steels
Chicago and Wallingford, CT

3

International Trading

THYSSEN CARBOMETAL CO.

Raw Materials (Coal, Iron Ore)
Rolled Mill and Specialty Steel Products
Scrap and Secondaries
Fertilizers/Industrial
Chemicals
Metallurgical Products

4

Coal Mining

Thyssen Mining Inc. · New York

...products and services you can rely on...

THYSSEN

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THYSSEN STEEL CO.
THYSSEN CARBOMETAL CO.

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Telex: RCA 233325 · WU 12-5706
Cable: Thyssenusa · Telecopier: (212) 764-0234

THYSSEN SPECIALTY STEELS, INC.

3415 North Runge Avenue
Franklin Park, Illinois 60131

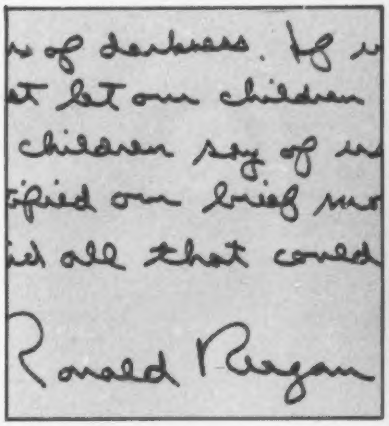
Telephone: (312) 451-0670
Telex: WU 28-3593 · Cable: Specsteels

The Business World and Your Career

This year hundreds of U.S. companies will use handwriting analysis, cheaper and simpler than psychological testing, as an aid in hiring and promoting employees.
— *Forbes Magazine*

Graphotypes

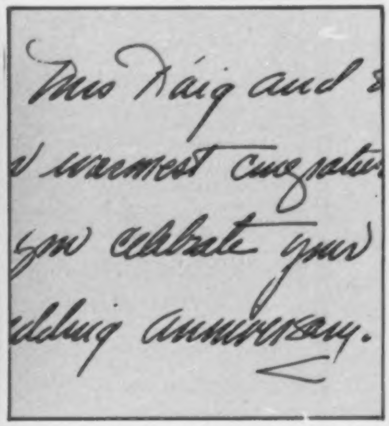
by Sheila Kurtz



of darkness. If
let our children
children say of
fied our brief
all that could
Ronald Reagan

Ronald Reagan's slight backhand shows his emotions are under control.

Sheila Kurtz.



Mrs Haig and
warmest
you celebrate your
dding anniversary.

The strong handwriting of Alexander Haig shows impulsiveness but lacks diplomacy.

Sheila Kurtz, Certified Master Graphoanalyst, President of New Slant, Inc., explains in her book *Grapho-Types*, how she screens applicants as a consultant for companies.

During the 1970s the business community found out what many individuals had known right along — that handwriting analysis is a very effective process. So graphology, long used in Europe, emerged as one of the most important and essential personality assessment methods available to American industry.

As of this writing, more than three thousand U.S. companies now employ staff or consultant graphologists in their personnel departments and use them on a regular basis. Their functions include screening job applicants, evaluating candidates for promotion and relocation, executive development, colleague compatibility studies, partnership arrangements, mergers and acquisitions, and outplacement — in short, any area dealing with people.

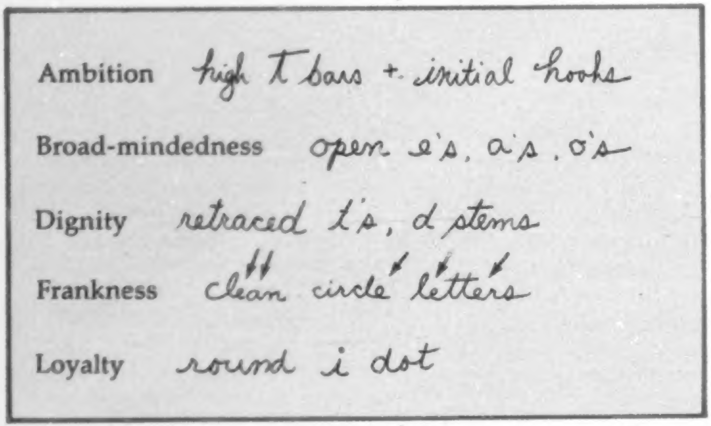
All types of businesses avail themselves of handwriting analysis — manufacturing firms, financial houses, service organizations, marketing corporations, government agencies, and law enforcement bureaus.

Personnel Screening

Currently, the greatest use of graphology in the business world is in screening job applicants. Matching the right person to the right job is a major part of my business.

My own method of evaluating job applicants involves the examination of approximately three hundred traits of personality, which takes from two to four hours to complete. The resultant information, which is kept confidential, gives me a complete portrait of the applicant's personality and all the information I need to see if he or she is right for the job.

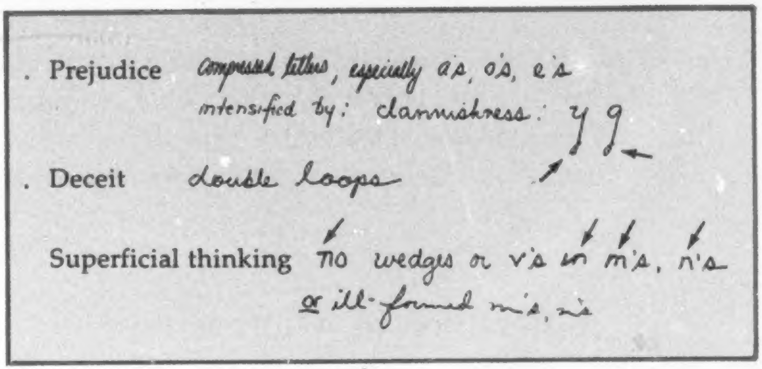
Handwriting analysis can be used at every level of hiring, from low-paying to high-paying jobs, from nonskilled to highly skilled, and from clerical to middle and top management posts. And that's the way it should be because, ultimately, people on all levels should be happy with what they're doing.



Ambition	high t bars + initial hooks
Broad-mindedness	open e's, a's, o's
Dignity	retraced t's, d stems
Frankness	clean circle letters
Loyalty	round i dot

One of the best examples of job mismatching that I've seen is the case of former Secretary of State Alexander Haig. Haig's personality suited him well for the military but was all wrong for a career in diplomacy. His handwriting shows that he has a brilliant analytic mind, with great vision and insight, but he lacks the trait of diplomacy. Furthermore, it shows that he's very emotional and impetuous. His tendency to shoot from the hip is well documented — eventually it caused his resignation.

Haig's lot was made much worse by his incompatibility with his boss, President Ronald Reagan. Reagan's slightly backward slant shows emotions that are always under control. As an Introtype, Reagan lacks the empathy required to understand and tolerate Extrotype Haig's impulsive, emotional style.



. Prejudice	compressed letters, especially a's, o's, e's intensified by: clannishness: y g
. Deceit	double loops
Superficial thinking	no wedges or v's in m's, n's or ill-formed m's, n's

Another important benefit of handwriting analysis for personnel screening is in weeding out generally undesirable employees at the outset. In an age of mounting crime, especially in the white-collar area, it's tremendously important that dishonest individuals never get a chance to infiltrate organizations.

When I do an analysis for a company, I'm on the lookout for undesirable traits that show questionable behavior, such as:

Obviously, one or two of these traits in a person's handwriting doesn't indicate a negative personality, especially if controls are developed. But certain combinations of traits or a preponderance of antisocial traits in a sample is a signal to steer clear of this job applicant. For example,

Many initial hooks + Many double loops = Potentially dishonest

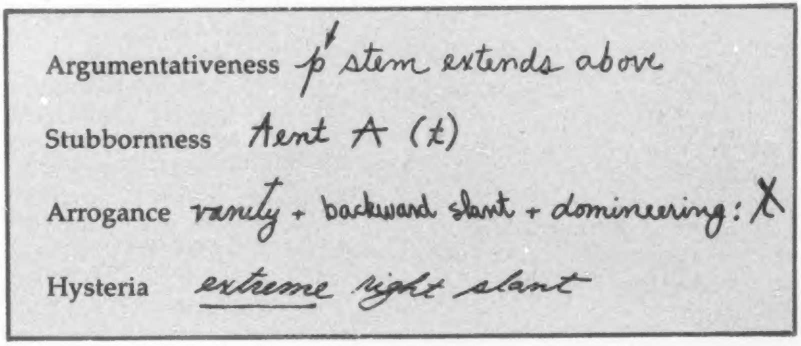
Here, the desire to acquire, plus the trait of deceit, could very well produce a thief, especially if other traits support it.

Fortunately, most people are desirable workers who have good traits showing integrity. When I check for some of these traits I look for:

If these traits are strong in your handwriting, you'll be a dedicated employee who puts the most into your job in order to get the most out of it.

When I'm asked to do a personnel screening, I look for problem areas, too. These are traits that have the potential to cause disruption in an employee's work routine and relationships with colleagues. Some of the more glaring are:

When I find these traits in a sample, I weigh them in the balance. For example, I look for control traits that compensate for the negative ones. And while the person may not be suitable for the job now, I like to give direction as to how he or she can improve for the future.



Argumentativeness	p stem extends above
Stubbornness	Tent A (t)
Arrogance	vanity + backward slant + domineering: X
Hysteria	extreme right slant

A German art colony continues to grow in New York. Lured by a quicker chance for success through a freer art market, German artists struggle but adapt to American manners and sales techniques. Stefan Roloff tells why he came.

A Berliner in Manhattan

ARTIST STEFAN ROLOFF THRIVES IN NEW YORK

by Penny Hutcheson

"Americans are much more spontaneous, much more willing to see new things, look at them, think about them and deal with them," says Stefan Roloff, punctuating his sentence with a quick pull on his cigarette. "People in Germany — or Europe — because of an older tradition believe things are the way they are."

In 1982 the 30-year-old artist came to New York where an influx of Germans were already making a big dent in the New York art market. Critics labeled them the "new young wild expressionists," referring to the German expressionist movement of the early 1900's. Like the earlier artists, say the critics, these new disciples have been especially concerned with fear of war and fear of existence.

In October, Roloff, who has a Meisterschueler degree from the Berlin Art Academy, had his first one-man show in the Art Palace, a downtown Broadway gallery where he sold several paintings in the $2000 to $10,000 range. After two years in New York, Roloff finds the approach in the commercial art world different from Germany's. "America takes superficiality for granted," he says with a smile. "It exists in Europe, but under pretensions of non-superficiality. In Germany — or Europe — people have to ask a lot of questions. They read papers, books and publications before they can take a step to buy," he adds.

"I do not consider myself part of the wild painters group. They want to liberate themselves from rules and laws, but its contradictory. You just have new laws and another system. If you want to liberate yourself from something oppressing, you can only do it alone and not in a group," he says.

"In Germany people like to define things, which is both positive and negative," he says, with a quick back and forth of his small hand. "A definition of a system or a way of behavior for a group is very strong in German tradition. But I personally need to work against it, because it gives my work energy."

In Roloff's new work, surrealistic planes are filled with people, phantom motorcycles speed into space and faceless people are lovingly entwined in contradictory and uncomfortable postures. He looks for the contrasting energy flowing between people: the push and pull, the yin and yang, the step forward, the step back, the reaching out, the fearful pulling away — and the constant motion of the city.

"I am influenced by the intense energy here, with people fighting and surviving. It's a very basic way of living," he says, running his hand through his uncombed blond hair.

Roloff himself lives that kind of basic life, but finds that New York's art world offers "a bigger structure" and a quicker chance for success. It also gives him more individual freedom.

"In America, people look at your work and maybe say 'Wow'," Roloff says. "In Germany, they seem to need to talk a long time and examine everything which I think is unnecessary."

Roloff prefers America's emotional reaction to the intellectual one in Germany where he felt he had to abide by whatever art movement was fashionable at the time. "In America anything is possible," he says, sitting on the edge of his chair. "But in Germany you have to be 'in' or you are 'out'. You're required to paint in a certain way in Germany's art schools, but personally I don't think painting is a mass movement."

Critic's labels and classifications aggravate Roloff. "My work is realistic — but it isn't. It's abstract — but it isn't. It's surrealistic — but it isn't," he says with a laugh. "When you get right down to it, what does expressionism mean? Everything in art expresses something," he adds.

Roloff who has traveled a lot, says

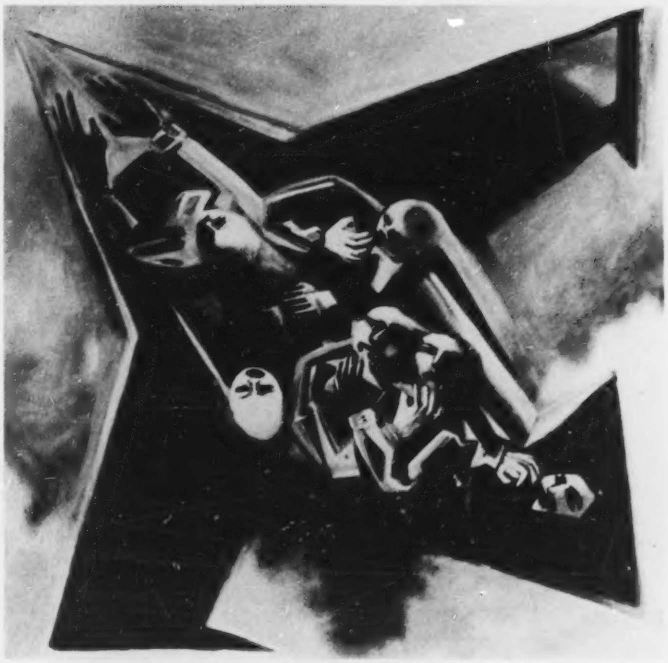
there are more artists in the world today than ever before. They seem to provide a counter-balance in a new technological world. At the same time, that world creates the wealth to support the arts. "I think it's very important to keep painting going as a human ability and as a way for people to step out of their daily routines," he says.

At the same time, Roloff is realistic about the routines of the art investment world and acknowledges differences and similarities between Germany and America. The packaging of artists with press, publicity and P.R. is more subtle in Germany but almost identical to the U.S. system. In America's diverse states, he feels, private museum owners, private initiative in sponsoring arts, and corporate donations are all available, possibly because of tax advantages non-existent in Germany. Although Germany's states have more money available to subsidize and sponsor artists, Roloff believes it contributes to more centralized and state controlled art.

On the other hand, Roloff thinks corporate art is good. "It helps a lot of people to have a work of art in a public spot. People don't walk into a dead office building but see something that might inspire them or energize them," he says. "It's good for the artist to get exposure and good for the corporations who are proud to be involved."

How spectators react to his work is important to Roloff. "I try to give painting a certain quality. I don't paint to fulfill desires in people but to make them aware of how they are living and who they are — not politically but spiritually," he says.

A spectator who gets any lingering feeling has the perfect reaction for Roloff. Even better, is a feeling of conflict with positive and negative reactions at the same time. "Most people are afraid to judge a work of art on their own. They feel they have to go and ask someone," says Roloff laughing. "I think reactions should be emotional because painting is like music — a feeling." After the feeling, says Roloff, people should have personal thoughts based on their individual life experiences, not on opinions of art historians or critics. "People think if they studied for years or have degrees in art history they know about art. I don't think anybody knows about art, not even painters. If you had to form a committee to decide 'who is an artist' you could just as well let monkeys or dolphins or maybe children choose. Dolphins are very intelligent," he says with a deadpan look and then starts to laugh.



Airplanefood Oil & tempera on canvas 178 × 178 cm

But worrying about spectators is not enough. To survive from sales in this city Roloff must stay visible, be at the right spot at the right time, keep in touch with gallery people, see friends from overseas, give interviews and keep his answering service on at all times. The frenetic art scene in New York — with 800 galleries and auction houses, 2,500 alternative exhibition spaces, ranging from gymnasiums to zoos, thousands of individual artists producing in lofts and studios plus an art market made up of paid advisors, tax accountants and costly agents — drives him to the point of exhaustion.

In this maze, Roloff takes seriously the caveat: Don't go too fast. "As I said, people have a better chance for success in a short time. But they can also be forgotten quickly in this city."

As young as Roloff is, he plans carefully for the future. He believes artists who are pushed toward fame too young and forced to work too fast miss valuable time needed to develop and mature. To work slowly and produce work with depth and insight is a major problem for artists who need to survive. They must study and work for years to reach maturity, a qualification not used in the other arts. Child prodigies like Mozart are historically nonexistent in the art world. A further problem for survival arises from the fact that artists have no royalties or percentages on sales like musicians and writers. They get no money from resales when their works grow in value.

Roloff controls his own financial future by holding back some work from each period. "Every painter or artist should do what I do, form a personal collection of work from each phase," he says. "It's hard to do because there's pressure to sell good pieces, but when a phase becomes valuable, the artist can sell at the new market price," he says.

"The worst thing about being an artist," he says after thinking for a few seconds, "is people think they can possess you. But they cannot. And they have to learn that." He laughs, gets up and walks with his guest to the elevator. He is late for an appointment with a dealer. He stands on one foot, smiling politely, impatiently pushing the elevator button again, not willing to abandon his guest. For a moment his New York energy is suppressed and his old-world Berlin manners take over.

Some Management Changes

in the German American Chamber of Commerce

We would like to inform our readers about some management changes in the German American Chamber of Commerce. Martin Theurer, the Deputy Executive Director and Treasurer of the Chamber in New York for the past 6 years, has accepted a new position with the parent organization, the Deutsche Industrie- und Handelstag in Bonn. His successor is Dr. Heinz J. Dielmann. Peter Moser has become the Managing Director of the Chamber in Los Angeles. The new Managing Director of the Chamber in Houston is Mr. Manfred Dransfeld; the new director in Atlanta is Mr. Jan-Albrecht Eggert. Guenther Olthof has joined the New York Chamber as head of the Information and Publication Department.

Dr. Dielmann is a graduate from Frankfurt University. From 1974 till 1977 he worked as a law clerk at the District Court in Frankfurt. Since 1978 Dr. Dielmann has been in private law practice, being primarily concerned with international trade issues.

Dr. Dielmann received a doctorate of law from Frankfurt University and also a doctorate of economics. From 1979 to 1981 he worked for the International Law Institute in Washington, DC, which is associated with Georgetown University, and was a counsel to Washington based law firms. He was also enrolled at the Georgetown University Law Center and received a Master of Comparative Law degree (MCL) in 1980. Since 1981 Dr. Dielmann has been a member of the Washington, DC Bar.

After having studied law at the Universities Berlin and Mainz, **Peter Moser** received a law degree from the Freie Universitaet Berlin. From January 1975 till October 1984 he was Deputy Executive Director of the German-Mexican Chamber of Commerce in Mexico City.

Manfred Dransfeld became the new Managing Director of the German American Chamber of Commerce in Houston, Texas as of March 1984. He is a graduate of Cologne University with an M.A. in economics. In 1977 he joined the Association of German Chambers of Industry and Commerce as Secretary General of the Junior Chamber Germany in Bonn. Jan-Albrecht Eggert was employed with the German Association of Industries before joining the Chamber.

Jan-Albrecht Eggert, the new director in Atlanta, was employed with the German Association of Industries before joining the Chamber.

The GERMAN AMERICAN TRADE NEWS also had some changes. The new Managing Editor is **Guenther Olthof**, a former economics correspondent with the German Press Agency (dpa) in Bonn.

The new Assistant Editor is **Penny Hutcheson**, former producer with several European T.V. networks in the U.S.A.

Executives

Captain Wolfgang Krauss, LTU's managing director, turned 60 this month. Congratulations poured into Dusseldorf for the ex-pilot who built LTU into an international private airline in a few short years. Using L-1011 -500's he made Dusseldorf a major destination and recently added Munich through a sister airline, LTS. North Atlantic service includes Los Angeles, San Francisco, Vancouver, B.C., New York, Miami, Tampa, Chicago, and Toronto.

Juergen Dormann was elected chairman of the board of directors of American Hoechst Corporation.

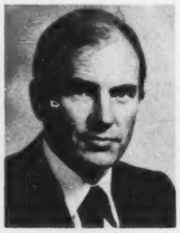
A deputy member of the Hoechst AG board of management, Mr. Dormann succeeds Prof. Rolf Sammet, who is also chairman of the Hoechst AG board of management. American Hoechst Corporation is a subsidiary of Hoechst AG of Frankfurt, West Germany, a leading producer of chemicals, pharmaceuticals, fibers and plastics.

Dr. Frank Troemel, member of the board of Altana, AG, became chairman of Altana, Inc. headquartered in Melville, N.Y.

Transition or Continuity in Trade Policy

By DR. LOTHAR GRIESSBACH

The dust has yet to settle before we will see clearly to assess the implications of the 98th Congress trade policy record. The reciprocity in services, wine equity, country of origin markings for pipes, General System of Preference revision, tightening of the Trade Act of 1974, and other items have been amalgamated into one of these ominous Omnibus bills that Congress likes to concoct during its latter days.



The Administration deserves relatively high marks for trying to limit the damage to the international trading system, in particular, since the presidential elections created the temptation to buy off special interests. Some of the earlier bills which were never passed are almost forgotten. The foreign content legislation which prescribed usage of U.S. made parts in imported automobiles, the old version of the reciprocity bill which aimed at balancing trade in a tit-for-tat fashion would have been a rather visible deviation from principles of free trade.

For the West German public, and sometimes even the political elite, it is difficult to see that most of the protectionist action in the United States is not directed against West Germany or the European Community, at least not primarily, but rather against pressures originating in the Far East, in particular in Japan. These pressures have, indeed, changed the American mood from the rather astounding indulgence with which the country saw its consumer electronics industry, its automobile industry, its textile industry, and sectors of its metalworking industry deteriorate in the 1960s and '70s, into a belligerent attitude. Japan has responded very diplomatically. By adjusting its export policies to some extent, as in the case of the voluntary restraints on automobile shipments or by making visible investments allegedly contributing to employment in the United States.

Still, the receptiveness of the U.S. market for foreign products remains amazing and entirely positive for the exporting nations. The balance to be struck and the compensation to be found through exports of U.S. products and services represents a tremendous task for U.S. industry and the U.S. Government. The relative strength of the U.S. dollar is but one factor. With a downward adjustment of the exchange rate, the problem of poor export performance will not go away. It seems that export-mindedness and the required skills (aside from the export quality of products) have yet to be developed.

The Export Trading Company Act has not had much effect as yet. Sometimes the human factor is overlooked. Trading nations such as Germany have for decades trained and used professionals specializing in the techniques of marketing and selling abroad. Schooling of people in these skills on the corporate level, or at vocational schools, could improve the situation considerably.

It is in the interest of West Germany and the EC as much as it is in the interest of U.S. industry that trade imbalances be rectified, as actions against one trading partner tend to spill over into other spheres of interest. Recently, that has again been demonstrated through the country of origin rules for textiles, the decision on a limitation on the importation of motorcycles and, more generally, through the level of public acceptance of imports.

For German industry it is just as important how the European Commission will behave. There are strains within the Community. France, for instance, is criticized in Germany for creating non-tariff barriers e.g. through technical standards, excessive language requirements, the imposition of margins on retail prices, not to mention the rigorous defense of the Common Market agricultural policy which seems to divert attention and financial resources from industrial goals that are more important for the German economy. German industry is equally disgusted with subsidization and dumping as is U.S. industry, at times even in identical product categories (for instance, electrical and electronic products, iron and steel, foundry products, paper products, jewelry).

Free trade, however, cannot only be the credo of the seemingly strong. Its viability has to be demonstrated to and experienced by the not so strong. The general receptivity of the U.S. market is, therefore, a substantial contribution and must not be overshadowed by the protection of certain industries. There is no such thing as an open trading system that is one-directional. Trade is not only bilateral, it is a circular process of exchanges. Shutting off one of the segments inevitably leads to disruptions and repercussions in others. It is, therefore, important that the leading trading nations, that is the United States and West Germany, work closely together to keep this circulation well in progress.

Here are some of the issues that must be addressed. In turning to the defensive modes of U.S. policies, it must be mentioned that the bickering of the mighty U.S. steel industry over percentage points of imports in a range of well below 20% of total consumption seems unworthy and is in contrast to overall policy goals.

The record of the International Trade Commission (ITC) is almost clean, at least inasmuch as West Germany is concerned, if one is willing to disregard the recent recommendation on the limitation of steel imports. With one exception (certain tapered roller bearings), antidumping investigations for the last two years have not led to import restrictions. German industry is concerned, however, about the increasing number of investigations under Sec. 337 Tariff Act of 1930. These investigations cover violations of patents, trademarks and other unfair acts. They can lead to the interdiction of imports. Although unfounded in most instances, the cost of defending oneself before the ITC and the market disruption in itself cause some companies to reconsider their involvement in the U.S. market. Because this is obviously the desired result of these investigations we encourage the German companies to defend themselves vigorously and assist them as best we can.

One problem which is unresolved and faces all industrial nations is the conflict between high labor cost and low labor cost manufacturing. For a long time, better quality and higher productivity made up for the difference. In West Germany, however, the unit labor cost now is 120% above the U.S. and 122% above Japan. The United States, at the present time, seems to have a competitive advantage, assuming that the product and its quality are identical. There is room for upward mobility, but how much?

News for German companies with U.S. operations

Coopers & Lybrand has a special program to help German businesses thrive in America

Running a business in a foreign country is a difficult task. The problems that can threaten success are numerous. Coopers & Lybrand, with international public accounting and management consulting firms in 98 countries, can help you avoid these problems.

Special attention is required to assure the success of your U.S. operations. Coopers & Lybrand has a special program designed to provide you with high quality, innovative services, whether you're an entrepreneur or a public company; whether you're starting up a new business or making an acquisition.

Our professionals, who travel to Germany regularly, meet with parent company management to coordinate our services, discuss plans or resolve problems. We provide service in the areas of:

- Accounting and auditing
- Taxation
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For further information, contact:

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TWX: 710-581-4544

Coopers & Lybrand

Certified Public Accountants and Consultants

Internationally agreed ways of adjustment assistance to phase out incompetitive industries and develop new ones leading to an agreed internatinal division of labor, are probably a dream not soon to be realized. Stemming the tide of unfair competition and unfair protectionist action is, as before, the more likely avenue.

At least, West German industry and the Government agree on the goal of establishing internationally uniform levels of export subsidization through credits or agreed principles of mixed financing. Competitiveness in price and quality cannot infinitely be distorted by an injection of Government funds.

Much will depend on whether the U.S. economy can sustain a stable rate of growth. A great deal will depend on the policies of the European Community, which will be reflected in U.S. attitudes and vice versa.

European attention will focus on the revision of the Export Administration Act. To the European audience it needed to be pointed out that this law is a mere tool, and whether it will be applied, depends to a great extent on whether or not differences of opinion on security and political issues arise. On the other hand, rigorous application, for instance of import controls on the basis of policy priorities, as provided for in one of the versions under considerations, would create a very negative atmosphere in the eyes of some European nations.

Aside from the general political aspects of trade, the military or security aspects will again attract attention. The Coordinating Committee on East-West Trade (Cocom) has the potential of an effective consensus mechanism. Unilateral restrictions beyond and below this consensus by any one country will have a short breath. There is very little other countries cannot also do, and will do, if society or the market require that technical solution. It took the Western World 2000 years to reinvent porcelain. In the process it learned more than it was looking for. The loser was China which had imposed the embargo. Western Europe is watching attentively whether the United States will regain its reputation of an eager and reliable supplier of sophisticated technological products or whether it will become overly cautious and patronizing.

Some form of contract sanctity (almost agreed upon here in Conference) in the case of policy motivated controls would be received in Europe as a welcome signal to resume licensing and long-term cooperation with U.S. companies. We almost never disagree on political goals, such as an effective defense of the Western world. The minor task of agreeing on the tools to accomplish these goals will be easy if it is seen as a deed of partners.

For the time being, there is no indication on how the stalemate between interested Government agencies (Defense and Commerce) on one hand, and congressional factions on the other, could be more easily overcome during the 99th Congress than during the last days of the 98th.

West European administrations could meet their U.S. counterparts halfway in the matter of on-site inspection in various areas such as product quality and international security. The U.S. Administration which according to President Reagan, among others, is too big anyway, will appear to become byzantine if its inclination for international travel grows any further. Again, since the principal goals are noncontroversial, technical and practical solutions under the jurisdiction of the partner states as opposed to visiting inspections should be possible; they are, in fact, practiced by Customs authorities and others. Only domestic law can be an effective basis for enforcement, not anyone's foreign law, applied extraterritorially.

In this context, we have witnessed over the last two years that pride in technological achievements at times degenerates into defensiveness and outright technological chauvinism.

Competitiveness is too kind a name for this attitude. State of the art seems to have become more than a sales argument. It acquires the attribution of a survival drill, or worse, a tool for market dominance on a worldwide scale. The areas which come to mind include computer technology, aerospace, new material research and, to a much lesser degree, gene technology and other biotechnological advances. There is a job to be done to prevent us all from becoming foolish.

The response to these trends could be the reenforcement of cooperation. Competition as a market control mechanism or as a mechanism for controlling corporate or institutional power may turn out to be very costly. Just as costly for the integrating world economy would be state-subsidized duplication on these areas. The equation to be found would be to preserve variety and diversity in the approach while avoiding the waste of resources.

Balancing the budget, assuring growth without inflation, are stately goals. From a company's and employee's point of view selling products and services is the name of the game. Neither the reduction of the deficit nor a favorable exchange rate provide the magic solution for that. The United States will have to increase its development and export of technologically sophisticated equipment. This simply is the role of advanced industrial nations.

The obsession of some in the U.S. Administration with using and abusing trade as a political tool is clearly in contrast to this role, as everybody recognizes, including those who like to play the trade card in world politics because they are short of trumps.

In total, it is unpredictable whether the U.S. Administration will stay its course in defending free trade. We have however the commitment of the people in charge and have no doubt in their capabilities of living up to their promises.

About the Author:
Dr. Lothar Griessbach is Managing Director of the German American Chamber of Commerce in Washington.

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Economic Forecast for 1985: Slowdown in German Economic Growth*

Prospects for 1985

The economic recovery in West Germany, now under way for more than twenty months, has not so far provided sufficient impulses to bring about a self-perpetuating upturn. The rise in overall economic output initially relied on higher consumption by private households and on the impulses which the temporary investment subsidy gave to industry. In the later phase there was also the boost from the recovery in the world economy which — together with German producers' favorable competitive position — caused a very steep rise in exports. The rise in consumption, which is reflected in the lower savings ratio, will not be repeated: after the steep decline between 1982 and 1983 it stabilised at the lower level.

The stimulus from the world economy will slow down markedly in 1985: real world trade this year will grow by only 4 percent, after 6 percent this year.

There will again be little change in the basic thrust of financial policy this year. The consolidation of the budget will still be given priority.

The Bundesbank will probably aim for a money supply target composed of expected growth in capacity and such price increases as are considered inevitable, as before. Given these assumptions, the economy as a whole will develop along the following lines in 1985:

- GROWTH IN REAL EXPORTS will slow down markedly, in line with world trade. The effects of enhanced worldwide investment activity and expansionary stockbuilding abroad, which have been helpful to the German economy, will probably become less important than in 1984; so German exports are unlikely to grow much faster than world trade, despite German firms' continuing competitiveness. A rise in exports of just over 4 percent is forecast here.
- The claims of PUBLIC EXPENDITURE on productive capacity will be further reduced; the rise in spending, which at about 2.5 percent will again be markedly slower than that in nominal gross national product, leaves no margin for real growth. This applies equally to current spending on materials and to investment expenditure. EXPENDITURE ON STAFF will probably be increased only to the extent of the rise in collectively agreed pay; this increase could be a little higher than 1984.
- As for INVESTMENT IN MACHINERY AND EQUIPMENT, conditions in the individual industries, as well as domestic orders received by the relevant sectors, suggest another relatively steep increase. The steep rise in real exports plays a crucial part in industry's growing appetite for investment. The prospective average growth in real investment in machinery and equipment of over 5 percent in 1984 is rather an encouraging result.
- PUBLIC-SECTOR REVENUE, in line with economic trends in 1985, will grow at much the same rate as 1984. This is based on the assumption that the Bundesbank will transfer profits of roughly the same amount as in 1984 to the federal budget (1985: DM 10 billion).

It seems likely that the cutbacks in public-sector DEFICITS will accelerate. The public-sector deficit, which in 1983 was still at DM 45 billion, will come down to DM 30 billion in 1984 and only DM 10 billion in 1985.

- REAL FIXED INVESTMENT will still act as a boost to the economy in 1985. As for investment in machinery and equipment, both the general background and the trend in capital goods manufacturers' new domestic orders suggest that the upturn will continue and that the growth rate will again be higher than the increase in real gross national product. But growth in construction investment will slow down markedly, mainly because of housebuilding.
- The trend in private households' DISPOSABLE INCOME in 1985 will remain much as before. Total disposable income will rise by just over 4 percent.
- INFLATION in the private consumption sector, which during 1984 will average just under 3 percent, will be running at 2.5 percent at the end of the year and will probably remain at that level in 1985. Assuming no change in the savings ratio, the trend in incomes suggests that real PRIVATE CONSUMPTION will rise by only 1.5 percent.

Except for private consumption,

which will rise only slightly anyway, this forecast suggests that in 1985 all components of real national product will slow down. This will affect imports too, bringing down their rate of growth to roughly that of exports.

- Growth in the individual components of demand adds up to a total rise in real gross national product in 1985 of just under 2 percent. Manufacturing output, at 2.5 percent, will again rise slightly faster than that, after 4 percent in 1984. This means a considerable slowdown in the current rate of growth during the year.

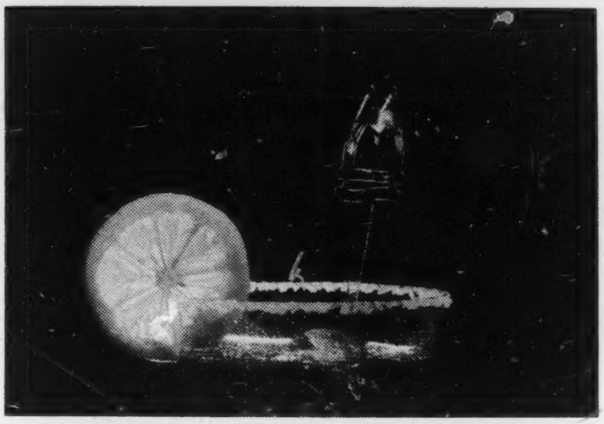
Even assuming a slight positive effect from the cuts in working time on the number of employees in employment, this does not point to any improvement in the labor market. However, EMPLOYMENT will be higher than in 1984 because of the overhang created by the rise in employment during this year. But during 1985 the picture will deteriorate again. The unemployment total will remain practically the same as in 1984 and, in the third year of continuous growth in output, the unemployment ratio will remain above 9 percent.

Economic Policy Considerations

Average real GROSS NATIONAL PRODUCT in 1984 will grow by just under 3 percent. It is already becoming clear that — in terms of average annual growth rates — 1984 will mark the peak of the current business cycle, because growth during 1985 already looks likely to slow down significantly. An interim balance sheet of the economic recovery since 1983 shows good results on the balance-of-payments front — the current account is in surplus — and on prices; consumer prices during the rest of this year, as well as next year, will rise at the rate of 2½ percent.

But in contrast to earlier periods of economic growth, there will be no marked reduction in the catastrophically high unemployment; the average annual level of unemployment in either 1984 or 1985 will not fall significantly below the 1983 record of 2.26 million.

*Excerpts from the Forecast of the Economic Forecasting Group of the German Institute for Economic Research (DIW), Berlin (Economic Bulletin, September 1984).



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* International **Men's Fashion Week**	February 15–17
* **INTER-JEANS** Cologne – The Fashion Event for Leisure, Sports and Casualwear	February 15–17
* International Trade Fair **CHILDREN and YOUNG PEOPLE,** Cologne	February 22–24
* **International Hardware Fair** – Tools, Locks + Fittings, Building and DIY Supplies	March 3–6
West German Fine Arts and Antiques Fair Cologne–Düsseldorf	March 9–17
* **jobtex** – Int. Trade Fair Work-Wear, Uniforms, National Costumes and Rental Laundry	April 26–28
* **interzum** – Int. Trade Fair for Furniture Production, Interior Design and Soft Furnishings-Upholstery Machinery	May 10–14
Roof + Wall – Specialized trade fair for roof, wall and insulation techniques	May 16–19
* **IMB** – International Clothing Machine Fair	June 4–8
* **International Computer Show** – Computers for business, home and leisure	June 13–16
* International **Men's Fashion Week**	August 16–18
* **INTER-JEANS** Cologne – The Fashion Event for Leisure, Sports and Casualwear	August 16–18
* International Trade Fair **CHILDREN and YOUNG PEOPLE,** Cologne	September 13–15
* **SPOGA** – Int. Trade Fair of Sports Goods, Camping Equipment and Garden Furniture	September 22–24
* International **Garden Trade Fair**	September 22–24
* **ANUGA** – World Food Market consuma · gastroma · technica	October 12–17
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ECONOMIC INDICATORS OF THE FEDERAL REPUBLIC OF GERMANY

Estimates for the Second Half Year of 1984 and of the Year 1985

					1984		1985	
		1983	1984	1985	Jan.-June	July-Dec.	Jan.-June	July-Dec.
Use of Gross National Product (GNP)								
GNP at current prices:								
Private consumption	billion DM	947.2	982.5	1,027.0	475.5	507.0	495.5	531.5
State consumption	billion DM	334.2	346.5	359.5	159.7	187.0	166.0	193.5
Fixed capital investment	billion DM	346.5	357.0	378.5	162.4	194.5	171.5	207.5
Machinery and equipment	billion DM	137.6	141.0	159.5	62.5	78.5	72.0	87.5
Construction	billion DM	209.0	216.0	219.0	99.9	116.5	99.5	119.5
Exports	billion DM	540.0	595.0	652.5	285.4	309.5	314.0	338.5
Imports	billion DM	501.3	551.5	601.0	270.5	281.0	292.5	308.5
Gross National Product	billion DM	1,671.6	1,746.0	1,838.0	825.7	920.5	865.0	973.5
GNP at 1976 prices:								
Private consumption	billion DM	706.1	715.0	733.5	347.6	367.5	355.5	377.5
State consumption	billion DM	248.7	251.5	254.5	122.6	129.0	124.0	130.5
Fixed capital investment	billion DM	256.5	258.5	269.5	148.0	140.5	122.5	146.5
Machinery and equipment	billion DM	109.5	110.0	121.0	49.1	60.5	55.0	66.0
Construction	billion DM	147.0	148.5	148.5	69.0	79.5	67.5	80.5
Exports	billion DM	417.3	446.0	475.0	216.1	230.0	231.0	244.5
Imports	billion DM	367.2	387.0	412.0	192.0	195.0	202.0	210.0
Gross National Product	billion DM	1,265.1	1,296.0	1,336.5	622.4	673.5	639.0	697.5
Prices								
Consumer prices	1976 = 100	134.2	137.5	140.0	136.8	138.0	139.5	140.5
GNP price deflator	1976 = 100	132.1	134.5	137.5	132.7	136.5	135.5	139.5
Total employment	1,000	25,126	25,060	25,275	24,915	25,210	25,085	25,465
Distribution National Income								
Gross national income								
Wages and salaries	billion DM	915.4	946.0	990.5	443.6	502.0	463.5	527.0
Entrepreneurial and property income	billion DM	362.0	387.0	413.5	180.1	207.0	189.5	223.5
National income	billion DM	1,277.5	1,333.0	1,404.0	623.7	709.5	653.5	751.0
Net income								
Wages and salaries	billion DM	510.2	520.0	539.0	246.7	273.0	255.5	283.5
Entrepreneurial and property income	billion DM	297.9	320.0	342.0	147.4	172.5	155.0	187.0

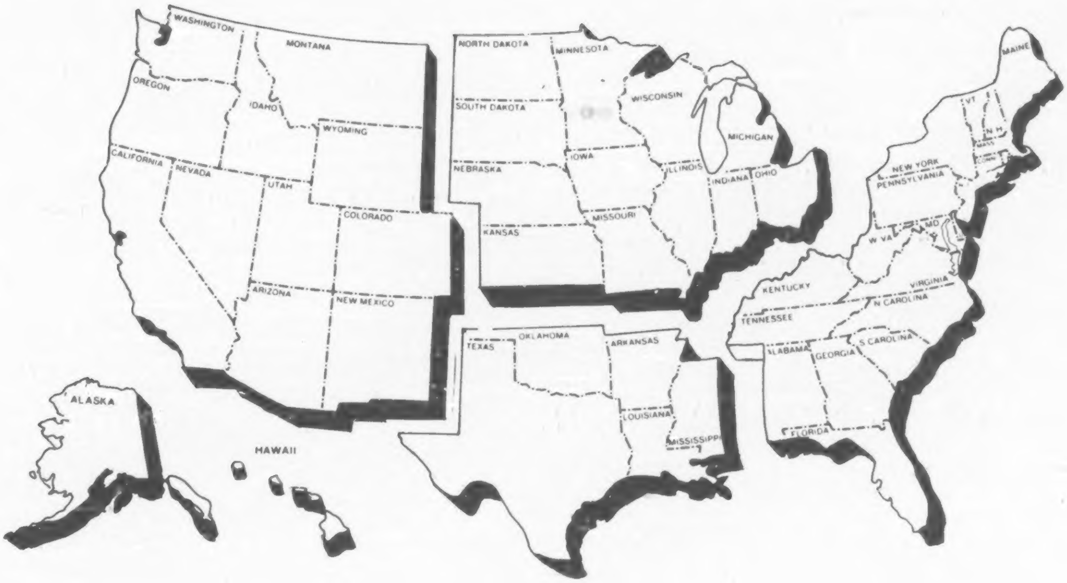
SOURCE: Sachverstaendigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung

ECONOMIC INDICATORS OF THE FEDERAL REPUBLIC OF GERMANY

Estimates for the Second Half Year of 1984 and of the Year 1985
(Percent Changes from the Previous Period)

				1984		1985	
	1983	1984	1985	Jan.-June	July-Dec.	Jan.-June	July-Dec.
Use of Gross National Product (GNP)							
GNP at current prices:							
Private consumption	+ 4.1	+ 3½	+ 4½	+ 3.7	+ 4	+ 4	+ 5
State consumption	+ 2.7	+ 3½	+ 3½	+ 3.4	+ 4	+ 4	+ 3½
Fixed capital investment	+ 4.8	+ 3	+ 6	+ 4.1	+ 2	+ 5½	+ 6½
Machinery and equipment	+ 8.5	+ 2½	+13	+ 0.5	+ 4	+15	+11½
Construction	+ 2.5	+ 3½	+ 1½	+ 6.4	+ 1	− ½	+ 3
Exports	+ 0.2	+10	+ 9½	+ 8.5	+12	+10	+ 9½
Imports	+ 0.1	+10	+ 9	+11.5	+ 8½	+ 8	+ 9½
Gross National Product	+ 4.5	+ 4½	+ 5½	+ 4.2	+ 4½	+ 4½	+ 6
GNP at 1976 prices:							
Private consumption	+ 1.1	+ 1	+ 2½	+ 0.6	+ 2	+ 2½	+ 3
State consumption	− 0.0	+ 1	+ 1	+ 0.6	+ 2	+ 1½	+ 1
Fixed capital investment	+ 3.1	+ ½	+ 4	+ 1.4	+ 0	+ 4	+ 4½
Machinery and equipment	+ 6.1	+ ½	+10	− 1.5	+ 2	+12	+ 8½
Construction	+ 0.9	+ 1	− 0	+ 3.5	− 1	− 2	+ 1½
Exports	− 1.3	+ 7	+ 6½	+ 5.5	+ 8	+ 7	+ 6½
Imports	+ 0.5	+ 5½	+ 6½	+ 7.0	+ 4	+ 5	+ 7½
Gross National Product	+ 1.3	+ 2½	+ 3	+ 2.2	+ 2½	+ 2½	+ 3½
Prices							
Consumer prices	+ 2.9	+ 2½	+ 2	+ 3.0	+ 2	+ 2	+ 2
GNP price deflator	+ 3.2	+ 2	+ 2	+ 2.0	+ 2	+ 2	+ 2
Total employment	− 1.7	− ½	+ 1	− 0.5	+ 0	+ ½	+ 1
Productivity	+ 2.6	+ 2½	+ 3	+ 2.4	+ 3	+ 3	+ 3
Distribution National Income							
Gross national income							
Wages and salaries	+ 1.7	+ 3½	+ 4½	+ 2.9	+ 3½	+ 4½	+ 5
Entrepreneurial and property income	+11.2	+ 7	+ 6½	+ 5.3	+ 8½	+ 5½	+ 8
National income	+ 4.2	+ 4½	+ 5½	+ 3.5	+ 5	+ 5	+ 6
Net income							
Wages and salaries	+ 0.4	+ 2	+ 3½	+ 1.6	+ 2	+ 3½	+ 4
Entrepreneurial and property income	+12.9	+ 7½	+ 7	+ 4.6	+10	+ 5	+ 8½

SOURCE: Sachverstaendigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung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Effects of Strong Dollar, Economic Recovery Apparent in First-half Import and Export Prices

Small price rises for imports continued to help dampen domestic inflation during the first half, but exporters encountered some difficulties as the powerful dollar drove up the prices of their goods in world markets and other nations failed to keep pace with the U.S. recovery

U.S. import prices rose 1.0 percent in the first half of 1984, after falling 2.5 percent during all of 1983. The increase in import prices was led by prices for food and miscellaneous manufactures, which were partially offset by stable crude oil prices. The vigorous U.S. economic recovery boosted demand for imported products — the Nation imported a record $160.2 billion of merchandise during the first half — while the strong dollar served to moderate price increases. The small rise in import prices was an important factor in the continued slowdown of domestic inflation as measured by the Consumer Price Index and the Producer Price Index.

U.S. export prices rose 2.0 percent in the first half. This price index was published for the first time with the release of fourth-quarter 1983 data, and has risen 1.5 percent since that period. Higher prices for crude materials and fats and oils led the first-half increase in export prices. For raw materials, price increases were generally larger in the second quarter than in the first, reflecting rising prices for soybeans and fats and oils. Price increases for manufactured articles were smaller in the second quarter than in the first and rose only slightly during the entire first half, a development that dampened the upward movement in U.S. export prices. The strong dollar and reduced demand for U.S. products by developing nations with heavy international debt loads placed downward pressure on export prices for these articles, which include machinery and transport equipment, chemicals, intermediate manufactures, and miscellaneous manufactures.

The price indexes discussed in this article are not seasonally adjusted and are based on transaction price information provided by a sample of U.S. importers and exporters. They represent 100 percent of the value of all imported and exported products. In-

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dexes are published for detailed and aggregate categories of imports and exports.

General Trends in Trade

Because energy prices account for approximately one-third of the weight of the all-import price index, their 0.5-percent rise during the first half was a major factor moderating increases in import prices. When energy products are excluded, U.S. import prices rose 1.3 percent in the first half. In all of 1983, U.S. import prices excluding energy rose 2.1 percent.

The dollar's appreciation against the currencies of major trading partners in recent years has had a major impact on U.S. export and import prices. From its low in July 1980 to June 1984, the dollar's trade-weighted exchange rate rose 36.0 percent. Over the same 4-year period the dollar rose 748.3 percent against the Mexican peso, 107.5 percent against the French franc, 56.8 percent against the Deutschemark, and 13.1 percent against the Canadian dollar. Also by mid-1984, the dollar stood at record highs against the British pound. This appreciation made imports less expensive while driving up the price of U.S. exports in foreign markets.

Furthermore, the strong U.S. economic expansion of 1983 broadened and continued in 1984, boosting demand for imports. The recovery, fueled in 1983 by consumer spending, spread to the capital goods markets in 1984, while consumer spending continued to grow. Concurrently, capacity utilization in the Nation's mines, factories, and utilities rose to 82.0 percent in June from 74.9 percent a year earlier. U.S. auto production also continued to recover from depressed 1982 levels; during the first half of 1984, domestic manufacturers produced 29 percent more autos than in the first half of 1983, and 60 percent more than in the first half of 1982. Moreover, first-half housing starts were up 14 percent from the same period in 1983 and 102 percent from the first half of 1982.

This increased economic activity sharply stimulated demand for a host of related consumer and capital goods, many of them imports. For example, expanding auto production spurred demand for such imported items as steel, aluminum, rubber, and engines, while the increase in business investment boosted sales for foreign suppliers of machine tools, building materials, and electrical equipment.

In contrast, activity in many major U.S. export markets remained at reduced levels in the first half, and merchandise exports totaled only $108.3 billion. (Although this represents a 10.5-percent increase over the first half of 1983, it was less than the $112 billion exported in first-half 1982 and was substantially below the $122 billion exported in first-half 1981.) Economic growth in Western Europe was much slower than in the United States: Industrial production growth for OECD Europe was less than 4 percent between first-quarter 1983 and first-quarter 1984, compared with increases for North America (Canada and the United States) and Japan of 15 and 11 percent, respectively.

Many developing nations, including several in Latin America, experienced debt problems that forced them to cut

Change in selected import price indexes in the first half of 1984, and share of total 1980 trade value

Commodity	Share of total 1980 trade value	Percent change in — First half	Percent change in — First quarter	Percent change in — Second quarter
All commodities[1]	100.000	1.0	0.7	0.3
All commodities, except fuels and related products[1]	67.223	1.3	0.8	0.5
Fuels and related products	32.776	0.5	0.8	−0.3
Crude petroleum	25.799	0.0	−0.4	0.4
Food	6.554	3.1	2.1	1.0
Fruits and vegetables	0.838	8.6	8.9	−0.2
Vegetables, fresh chilled or frozen	0.183	18.4	20.0	−1.3
Fruits and nuts, fresh or dried	0.347	−0.8	2.2	−2.9
Coffee, tea, and cocoa	2.241	4.7	3.0	1.6
Coffee	1.644	3.9	2.9	1.0
Tea	0.054	9.2	9.1	0.1
Fish	1.088	−1.3	−2.4	1.1
Fresh fish	0.477	−0.9	0.0	−0.9
Shellfish	0.459	−2.1	−4.8	2.8
Crude materials	4.275	4.1	4.7	−0.6
Pulp and waste paper	0.708	18.8	8.3	9.7
Sulphate and wood pulp	0.563	19.9	9.0	10.0
Crude natural rubber	0.344	−5.0	3.1	−7.9
Wood	0.865	−3.7	7.1	−10.1
Crude minerals	0.303	−3.8	0.0	−3.8
Intermediate manufactured products	13.520	1.7	0.2	1.5
Iron and steel	3.127	3.6	−0.8	4.4
Nonferrous metals	3.123	1.6	0.2	1.4
Silver and metals of the platinum group	1.037	−1.2	1.4	−2.6
Copper	0.581	−0.1	−3.1	3.1
Zinc	0.135	14.6	6.5	7.6
Cork and wood manufactures	0.486	−2.7	−3.4	0.7
Plywood and veneers	0.267	−1.9	−1.1	−0.8
Wood manufactures, not elsewhere specified	0.207	−3.7	−6.0	2.4
Paper and paper products	1.475	2.3	0.7	1.6
Machinery and transport equipment	25.442	0.0	0.0	0.1
Road vehicles and parts	10.887	0.8	−0.5	1.3
Passenger automobiles	7.201	1.1	−0.9	2.0
Metalworking machinery	0.755	−1.9	−1.5	−0.4
Machine tools	0.540	−1.8	−1.1	−0.7
Electric machinery and equipment	3.395	−4.9	−1.8	−3.2
Miscellaneous manufactured goods	9.794	1.5	0.6	0.9
Clothing	2.660	3.1	1.3	1.8
Footwear	1.232	3.5	0.6	2.9
Photographic apparatus and supplies, optical goods, watches, and clocks	1.162	2.4	−1.1	3.6
Photographic apparatus and equipment	0.258	3.4	0.3	3.1
Optical elements, lenses, prisms	0.125	6.4	−1.5	8.1
Watches, watch movements, and cases	0.310	10.3	0.8	9.4

[1] This category includes indexes in addition to those shown here. For all of the indexes available in each category, see *U.S. Import and Export Price Indexes*, USDL-84-336 (Bureau of Labor Statistics), Aug. 2, 1984.

back on imports. For example, Mexico, our third largest trading partner, purchased only $5.7 billion of U.S. goods in the first half. Although this was up from the $4.4 billion exported in the first half of 1983, it was still well below the $7.2 billion recorded for the same period in 1982. Other important U.S. trading partners with debt problems are Argentina, Brazil, and Chile. Several OPEC nations, in particular Nigeria, also curbed imports, as oil revenues fell. The low level of U.S. merchandise exports was a key factor in the record $51.9 billion merchandise trade deficit for the first half of this year.

Along with the strong dollar, the growth in U.S. demand for imports widened the merchandise trade gap as the Nation led the recovery from the worldwide economic slump of 1980-83. First-half merchandise imports were $160.2 billion, 31 percent more than in the first 6 months of 1983. Petroleum imports rose to $28.7 billion from $23.6 billion in first-half 1983, and nonoil imports rose sharply, by 33.4 percent, to $131.5 billion. Moreover, the U.S. current account, which incorporates the balances on both merchandise trade and services (including payments and receipts of interest and dividends on international investments) set a record deficit of $44.1 billion in the first half, compared with a deficit of $12.5 billion for the same period a year earlier.

In recent years, the nations of the Far East have carried on an increasing volume of trade with the United States. Several of these nations, such as Japan, South Korea, and Taiwan, have posted high economic growth rates, in part attributable to the strength of U.S. demand for imports. In 1983, the nations of the Far East enjoyed greater combined gross trade (merchandise imports and exports in dollars) with the United States than did those of Western Europe. During that year, 28.5 percent of U.S. gross foreign trade was carried on with the nations of the Far East, compared with 20.8 percent in 1976.

Gross trade as a percentage of U.S. final goods production is a measure of the importance of foreign trade to the goods sector of the economy. Since 1970, this measure has increased substantially from 15.9 percent to 28.1 percent by 1983.

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The West a Leading Economic Power in the U.S.

By ADAM HEIDENREICH

The Western region of the United States, comprising the 13 Western states with a gross regional product of about $640 billion, ranks fifth in the world economy — after the Federal Republic of Germany and before France.

In the decade between the 1970 and the 1980 census, the West had the fastest regional growth rate of 23.9%, compared with 20% in the South, 4.0% in the North Central region and 0.2% in the Northeast. Average growth for the entire U.S. during that period was 11.4%. The population in 1980 for this region was 43.16 million people. For the year 2000 it is estimated that 62.52 million people will live in the Western states.

A strong recovery from the recession this year makes the West again a leading economic power in the nation. Unemployment in the region is below average rate. Jobs are created faster than in the rest of the country. During the 1982-1983 recession, over 300,000 workers from all over the United States came to the West seeking employment.

As in the entire United States, there is also a restructuring taking place in the Western economy. New light industry and high-tech manufacturing are making the West less dependent on such very fluctuating industries as mining, lumber and defense contracting. This sector now provides a base of growth even during recessions, as it was the case in 1982-83, when most electronic and computer industries kept on growing.

The region dominated by this industry is known under the name "Silicon Crescent." It extends from the Seattle Puget Sound area and the Williamette Valley through the San Francisco Bay Area (Silicon Valley) south to Orange County and San Diego, across to Phoenix and Albuquerque and north to Colorado Springs and Denver.

Besides the dynamic high-technology sector the West has also a stable agricultural sector; a cyclical resource sector such as energy, lumber and mining; an aerospace sector (both civilian and military) and a strong tourist industry. The most sensitive state economies are those still dominated by resource industries — such as in Oregon, Idaho and Montana. However, Washington and Oregon are also strongly converting to high-technologies.

An innovation oriented economy and a young well-educated population of relatively recent immigrants to the area, always created a certain impact on the Western lifestyles. The average Westerners are less constrained by tradition and are much more interested in the present and future. Since they are more often willing to take a chance and are more curious about new experiences, they are always good prospects for new products. It is well known that most of the Japanese products are first tested in the West before a U.S. and later a world market is developed for them.

The entire Western economy is very much dominated by California, inasmuch as some of the Western states are substantially depending upon the California markets. California's 26 million people will produce about $460 billion in goods and services this year. Current projections indicate that over 650,000 new jobs will have been created in California during the 1984-85 period. The unemployment rate was 7.5% of the 12.543 million civilian labor force in June of 1984 and has declined to about 7.2%. From the fourth quarter of 1982 through the end of the fourth quarter of 1985, total civilian employment in California will have grown by about 1.3 million jobs.

Total personal income in the state of California is expected to increase substantially during 1984-85. After an increase of 7.1% in 1983 it is estimated that 1984 will show an expansion of 11.3%. The 1985 forecast predicts an increase of 9.8%.

In 1984 the Gross State Product grew about 12.7% and 7.7% growth is estimated for the year 1985.

The first 10 months of this year showed a very high level of consumer optimism with a gain of 13.5% in the taxable sales. Total taxable sales are expected to increase from $169.1 billion in 1983 to 191.1 billion in 1984. For 1985 taxable sales are projected with $208.4 billion. If this figure is correct, the increase in spending would be reduced from 11.3% in 1984 to 5.3% in 1985.

International trade of the Western region is highly concentrated on the Pacific Rim Area.

About 64% of the trade is with Asia, followed by Europe with 13%, Canada 11%, Central and South America 6%, Australia-Oceania 4%.

Japan alone accounts for over 30% of the West's international trade. About two-thirds of the West's export/import trade passes through California customs districts. The total value of imports and exports rose 9.1% in 1983 after an almost flat year in 1982.

Total California foreign trade amounted to $67.3 billion in 1983. Imports in 1983 were $37.9 billion, exports $29.4 billion, leaving a 8.5 billion trade deficit. California's international trade for the first quarter 1984 was $19.9 billion. A substantial increase from the previous year is expected.

In 1983 trade with the Federal Republic of Germany and California was $2.559 billion, of which $976 million were exports from California to Germany and 1.583 billion imports from Germany. California had a negative trade balance with Germany of $607 million. Machinery worth $688 million (mainly computers) were the major items which Germany imported from California. California, however, imported from Germany automobiles valued at $957 million.

Since overall export from West Germany to the United States has increased by 49% for the first 9 months of this year, it can be assumed that the export to California will also increase substantially.

* * *

Most of the information on the California economy is obtained from the Security Pacific National Bank.

About the Author:
Adam Heidenreich is Managing Director of the German American Chamber of Commerce in San Francisco.

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Over 600 German Companies In The Midwest

By NIELS G. FRIEDRICHS

For the past twenty years the German American Chamber of Commerce has serviced the U.S. Midwest from its Chicago office, covering the "U.S. Midwestern" 13-state area. The Midwest is both the industrial and distribution center of the U.S.A. and therefore extremely important for U.S.-German trade. The traditional industries of the U.S.A. have their home in the Midwest, although its strength is based on its agricultural importance as a trading place and for exports of agricultural products and implements.

Seeing the Midwest's geographic and economic importance, the Federal Republic of Germany increased its attention to the Midwest with exports in different categories, along with increasingly larger Midwest imports.

Since its origin in 1963, the German American Chamber of Commerce has maintained a strong and important position in the area's active trade. West Germany's interest in the agricultural, chemical, metal and other heavy industries, plus the automotive industry and consumer goods, give it a strong position in this market area.

Chicago, the hub of this activity, gained importance in Germany as the world's largest trading center for financial options and agricultural futures. Throughout the years, the International Trade Fairs have grown and gained increasing importance through the availability of the modern McCormick Place. As a further example of growth, Chicago, the transportation center of the nation, is rebuilding its O'Hare International Airport. In 1984, the Midwest continues to be the country's dominant region in terms of industry and manufacturing and still considered the industrial heartland of the U.S.A.

Although the Midwest's share of total U.S. manufactured output has slightly declined in the past decade, in absolute terms, exports of manufactured goods, originating in the Midwest, have increased from U.S. $15 billion in 1972 to a peak of U.S. $54 billion in 1981. In some categories, approximately 20 percent of the U.S. output is exported from the midwest.

While the exports from the Federal Republic of Germany slowed in recent years, the DM-investments increased. Lately, however, the trend has reversed again, due to the currency differences.

The German American Chamber of Commerce has increasingly served this business community and raised its membership to a rather permanent 250-300 figure. Over 200 German companies have opened U.S. subsidiaries in the state of Illinois alone and approximately 400 other German companies have established their U.S. presence in other Midwestern states. The direct investments from Germany are in real estate, farming, merchandising and industry.

The German American Chamber of Commerce sees the strong German influx into this robust market continuing. Seen from the German point of view this market remains huge and promising. That point of view is reflected in the increasing participation of German companies in Chicago's International Trade Fairs and illustrated in the September '84 International Machine Tool Show where over 12 percent of all exhibitors were German.

Because of these growing Trade Fairs, the modern and expansive McCormick Place will be enlarged, with an addition of 580,000 square feet that will extend the complex to 1.8 million square feet, the largest exposition building in the U.S.A.

Chicago, the sole city with 48,000 hotel rooms, and with the busiest airport in the world, looks to the future with optimism and confidence. The German American Chamber of Commerce shares this attitude, because it knows that the U.S. Midwest is vitally important for the German business community in its pursuit of the reciprocal exchange of German American business. The German American Chamber of Commerce stands ready to assist and counsel.

About the Author:
Niels G. Friedrichs is Managing Director of the German American Chamber of Commerce in Chicago.

Southwest Outlook Seems Stronger

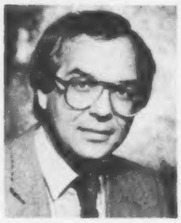
Shift from Oil and Gas

TEXAS
OKLAHOMA
ARKANSAS
LOUISIANA
MISSISSIPPI

By Manfred Dransfeld

The middle years of the 1980s are a time of transition in the five-state-area of the Houston Chamber. This is very apparent in Texas, the most dynamic region in the Southwest.

The Texas economy will shift from oil and gas production over the next 25 years to manufacturing, construction and private service industries, according to a study by the University of Texas Bureau of Business Research.



The study, forecasting changes that can be expected between 1982 and 2007, said the resource-based sector of mining and agriculture will drop from 18.2 percent of the state's economic output in 1982 to 8 percent.

Manufacturing is expected to register the largest increase in the percentage of output. Mining and government will be the slowest-growing sectors. In 1982, manufacturing accounted for 16.6 percent of the Texas economy, but that will increase to 23.5 percent by 2007, the study said.

Currently, however, the energy industry still plays a dominant role in the state's economy as it does in the four other states.

A decade after the escalation of energy prices began, 1983 witnessed the opposite phase of the energy cycle. Oil price increases were replaced with price declines, equipment inventory buildups were replaced with drawdowns, and new energy business formation was replaced with a shake-out. As the state entered the recession later than most of the nation, Texas also lagged in the recovery process. While 1983 economic indicators in Texas remained enviable by the standards of most states, the contrast with the recent past was a stark one.

The 1984 figures for Texas represent a return to more normal conditions, with the losses in manufacturing being recouped. The further view toward 1985 suggests a resumption of a sustainable growth trend.

By the time of the 1990 census, Texas is expected to rank second only to California in population, with a total of 18 million residents. Although the 1983 rate of migration to Texas slowed by half from its peak in 1980, migration is expected to add thirteen new Texans for every thousand current res-

U.S. GROSS NATIONAL PRODUCT

[Billions of current dollars; quarterly data at seasonally adjusted annual rates]

Period	Gross national product	Personal consumption expenditures	Gross private domestic investment	Exports and imports of goods and services			Government purchases of goods and services					Final sales
				Net exports	Exports	Imports	Total	Federal			State and local	
								Total	National defense	Non-defense		
1972	1,185.9	737.1	195.0	0.7	77.5	76.7	253.1	101.7	73.1	28.5	151.4	1,175.7
1973	1,326.4	812.0	229.8	14.2	109.6	95.4	270.4	102.0	72.8	29.1	168.5	1,307.9
1974	1,434.2	888.1	228.7	13.4	146.2	132.8	304.1	111.0	77.0	33.9	193.1	1,420.1
1975	1,549.2	976.4	206.1	26.8	154.9	128.1	339.9	122.7	83.0	39.7	217.2	1,556.1
1976	1,718.0	1,084.3	257.9	13.8	170.9	157.1	362.1	129.2	86.0	43.2	232.9	1,706.2
1977	1,918.3	1,204.4	324.1	−4.0	182.7	186.7	393.8	143.4	92.8	50.6	250.4	1,895.3
1978	2,163.9	1,346.5	386.6	−1.1	218.7	219.8	431.9	153.6	100.3	53.3	278.3	2,137.4
1979	2,417.8	1,507.2	423.0	13.2	281.4	268.1	474.4	168.3	111.8	56.5	306.0	2,403.5
1980	2,631.7	1,668.1	401.9	23.9	338.8	314.8	537.8	197.0	131.2	65.9	340.8	2,641.5
1981	2,957.8	1,849.1	484.2	28.0	369.9	341.9	596.5	228.9	153.7	75.2	367.6	2,931.7
1982	3,069.3	1,984.9	414.9	19.0	348.4	329.4	650.5	258.9	179.5	79.4	391.5	3,095.4
1983	3,304.8	2,155.9	471.6	−8.3	336.2	344.4	685.5	269.7	200.5	69.3	415.8	3,318.3
1982: I	3,026.0	1,931.3	436.2	27.7	359.4	331.7	630.9	249.8	168.4	81.4	381.1	3,043.1
II	3,061.2	1,960.9	431.2	35.5	366.3	330.8	633.7	245.0	175.3	69.7	388.7	3,072.1
III	3,080.1	2,001.3	415.9	6.6	346.3	339.7	656.3	261.6	183.3	78.2	394.7	3,095.5
IV	3,109.6	2,046.1	376.2	6.3	321.7	315.4	681.0	279.4	191.0	88.4	401.6	3,170.8
1983: I	3,173.8	2,070.4	405.0	19.6	328.5	308.9	678.8	273.0	194.7	78.3	405.8	3,216.8
II	3,267.0	2,141.6	449.6	−6.5	328.1	334.5	682.2	270.5	199.3	71.3	411.6	3,286.4
III	3,346.6	2,181.4	491.9	−16.4	342.0	358.4	689.8	269.2	200.9	68.3	420.6	3,350.9
IV	3,431.7	2,230.2	540.0	−29.8	346.1	375.9	691.4	266.3	207.2	59.1	425.1	3,419.0
1984: I	3,553.3	2,276.5	623.8	−51.5	358.9	410.4	704.4	267.6	213.4	54.2	436.8	3,479.5
II	3,644.7	2,332.7	627.0	−58.7	362.4	421.1	743.7	296.4	220.8	75.6	447.4	3,594.1
III^p	^{r}3,701.2	2,359.3	660.5	−85.5	375.5	461.0	766.9	307.7	225.4	82.3	459.2	3,628.8

Source: Department of Commerce, Bureau of Economic Analysis.

idents, an increase of 200,000 in 1984 alone. Nearly 1.5 million new homes must be built to house the increase in population between 1984 and 1990. During the remainder of the decade, population growth in Texas should progress at a rate about twice the U.S. average.

A critical variable for this forecast is the outlook for the U.S. energy industry. Energy activity improved in the latter part of 1983 as price uncertainty diminished, but drilling remained well below the record levels set in 1981.

If current conditions prevail, the U.S. Gulf of Mexico, Alaskan offshore and the North Sea are top drilling prospects during the next five years. That is the opinion of experts charged with tracking future drilling operations for 15 of the world's top drilling contracting firms during responses to a recent survey. The Gulf of Mexico and Alaskan offshore areas were the only two areas mentioned by all those responding.

Marine construction contractors are expecting a moderately improved market for 1985 after suffering through the lowest level of activity in quite a few years during 1983-84. Long lead times for deepwater Gulf of Mexico projects will delay the big surge in fabrication and offshore work to 1986-87. As usual, the construction outlook varies considerably by region, with the Gulf of Mexico offering the best prospects.

In early 1984, the Johnson Space Center in Houston was designated as the primary NASA facility in the development of the space station program, as it has been with the space shuttle program. Private Houston companies have taken the lead in developing remote sensing satellites to be launched in the next few years for worldwide natural resource and water management, geological exploration, and weather monitoring.

Attracted by a business environment highly conducive to high technology research and development, the Microelectronics and Computer Technology Corporation, an unprecedented consortium of sixteen electronics firms, selected Austin in 1983 from among 57 U.S. cities as its headquarters site. MCC will focus its initial research efforts on semiconductor packaging, advanced computer architecture, artificial intelligence and computer-aided design. The number of high technology businesses in Texas has grown from 1,600 in 1978 to more than 4,000 currently, and the number of employees has increased by 5 percent annually. Survey results indicate that Texas electronics companies expect to employ 66 percent more engineers, assemblers and technicians over the next four years, compared with an increase of 46 percent nationwide.

About the Author:
Manfred Dransfeld is Managing Director of the German American Chamber of Commerce in Houston.

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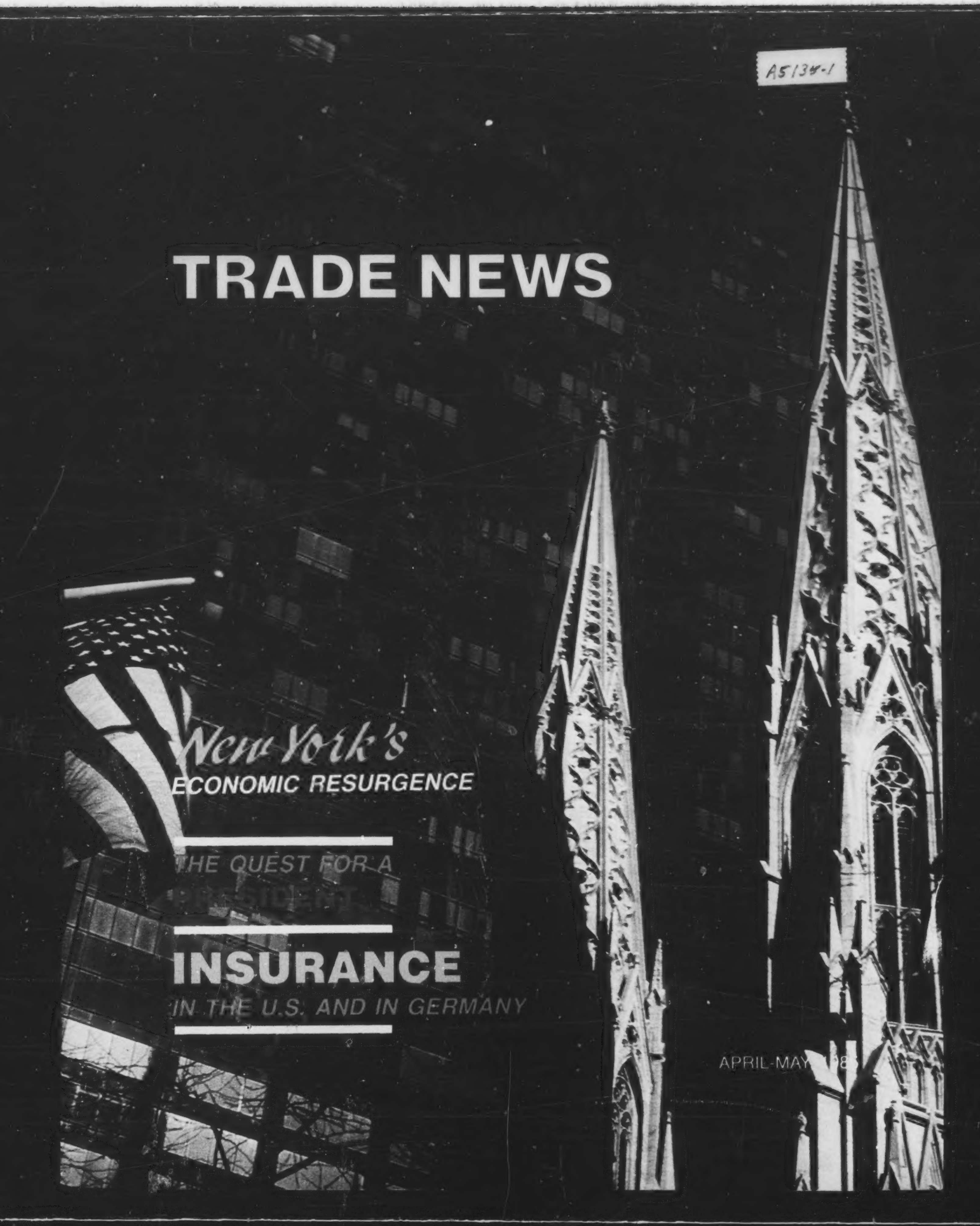

TRADE NEWS

New York's
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APRIL-MAY 198

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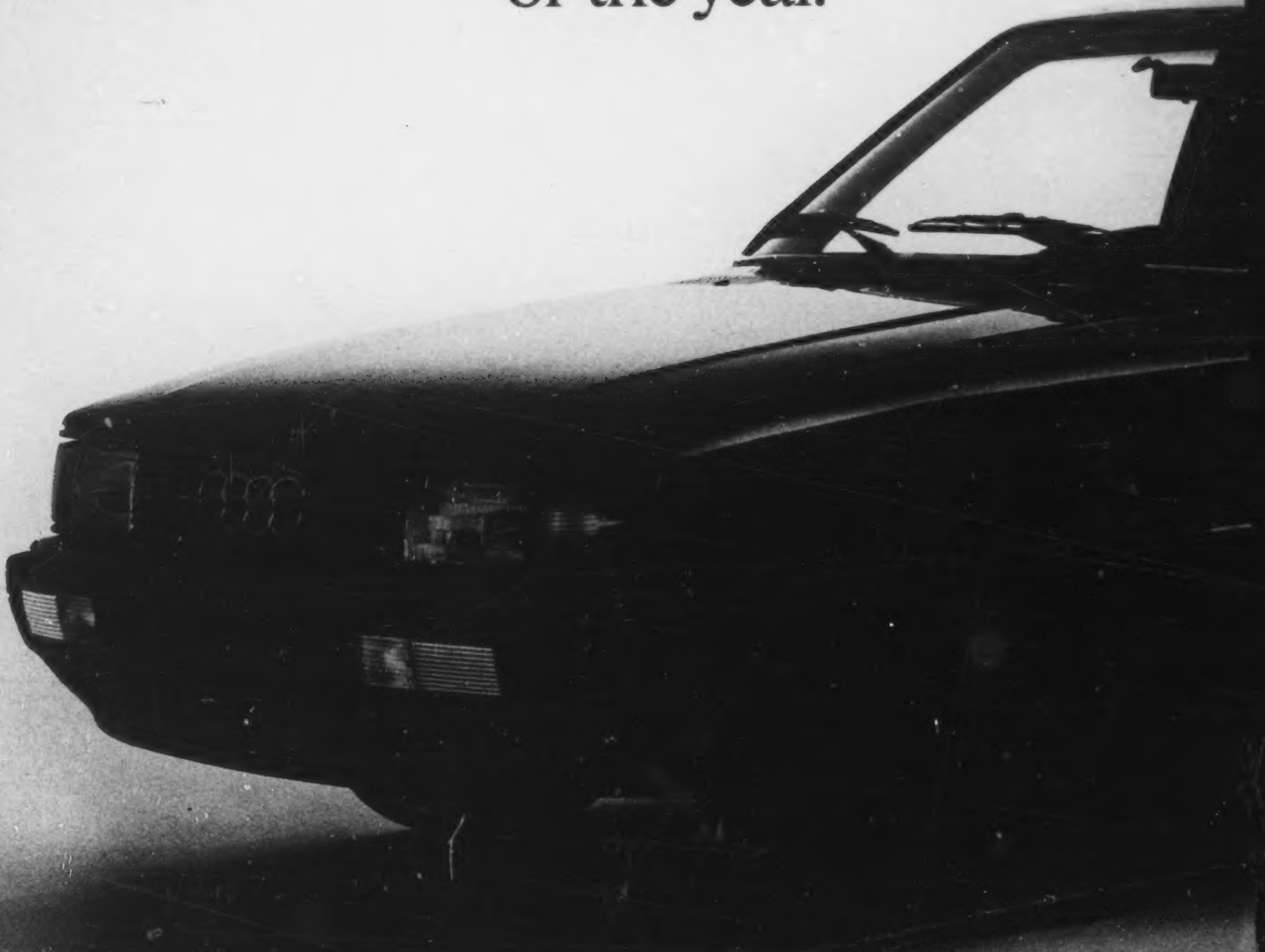

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VOL. 39 NO. 2 APRIL-MAY 1985

GERMAN AMERICAN TRADE NEWS

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NEW YORK is presently experiencing an economic upturn which was thought to be impossible only a few years ago. The bad 70's where the city of millions was at the brink of bankruptcy have almost been forgotten by the citizens. **PAGE 12-18**

Cover Photo: St. Patrick's Cathedral, New York

WITH THE CONTINUOUS FLOW of investment from the U.S. to West Germany, many of the readers of this magazine may find it useful to acquaint themselves with some key information regarding the West German and the U.S. insurance markets. **PAGE 21-33**

THE QUEST FOR A PRESIDENT for the U.S. subsidiary is an important decision facing European companies. Questions often asked are: of which nationality should the president be, what qualifications must he possess, how can he be found, what salaries and benefits should he be paid? A question often *not* asked is: how can the president be retained for many years? **PAGE 34-38**

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Commentary

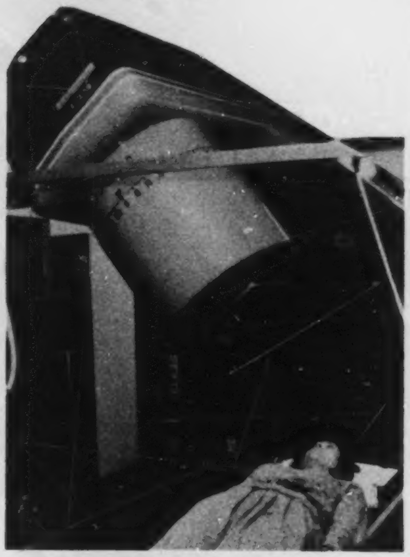
Every ship must be navigated with care, especially in times of storm and boisterous seas, in order to protect the goal of the voyage and to safeguard the prospects of the enterprise. It may become necessary to change course or to trim sail, in order to prosecute the voyage to a successful conclusion. This brief analogy describes in a figurative way the situation in which the Chamber finds itself with our magazine German American Trade News. Revenues have not kept pace with mounting costs, so that what had been a relatively acceptable deficit has become too great a loss. The DM income of the Chamber has been steadily eroded by the dollar's exchange rate. In short, we must change course.

With this issue, we will suspend publication of the Trade News to devote our efforts more fully to the other publications and to new, specialized books.

Although we firmly believe that the Trade News has brought a unique point of view and valuable information to its loyal readers and advertisers, and will do so again, we also hope to have your understanding for this temporary trimming of sail.

WERNER WALBROL
Executive Director
of the
German American Chamber of Commerce

NEWS



Linear Accelerator Used Against Cancerous Tumors

A new high-energy accelerator has been employed for the first time in the treatment of cancerous tumors at the University of Marburg's new medical clinic. The versatile device is the first of its kind in the Federal Republic of Germany and replaces what was traditionally called "cobalt bomb". The new device is typical of the modern equipment at the Marbug clinic completed last year after ten years of construction.

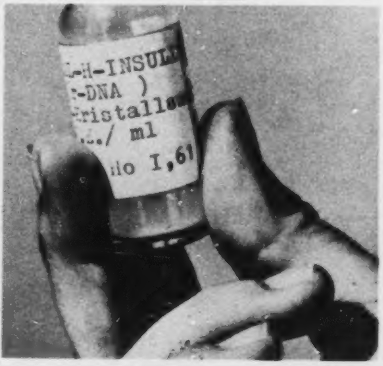
Cancer researchers are looking for ways of fighting tumors in other areas as well. Two substances produced by the body to fight the formation of tumors, i.e. lymphotoxin and "tumor necrosis factor", can now be produced in large quantities, using genetic engineering methods. The two genes involved have been isolated. The produced substances have been injected into tumors in animal experiments. Healthy tissue is not affected either by lymphotoxin or tumor necrosis factor. The success or failure of these cancer-inhibiting substances will doubtless have a considerable influence on the further development of industrial genetic engineering.

Hoechst AG: Insulin Soon to be Available in Unlimited Amounts

Hoechst AG, located near Frankfurt, is the first German company to succeed in producing interferon and insulin in large quantities, using genetic engineering methods. This means that Hoechst-produced insulin will be available to diabetics everywhere. The effectiveness of interferon in fighting virus infections and cancer is currently being tested.

This year it is expected that gene therapy will be tested in humans on a major scale. This kind of therapy restricts itself to treating genetic defects and does not involve a change in hereditary material. As such it is merely an extension of conventional medicine and does not raise any new ethical questions.

Professor Reinhard Loew of the University of Munich is the author of a book entitled "Life from the Laboratory — Genetic Engineering and Responsibility, Biology and Morals". In his book he comes to the conclusion that genetic engineering cannot be generally praised or rejected. The analysis of most cases will involve weighing ethical pros and cons and should not be prejudged on the basis of emotions. In the few cases in which a categorical ethical reservation exists, e.g. experiments with human fetuses or non-adherence to safety regulations in the course of dangerous experiments, those who might want to ignore these reservations should be restrained with all the legal means available, according to Loew.



Cogwheel Railways for Vineyards

A mini cogwheel railway is taking the backache out of the wine harvest on the steep slopes of vineyards in many of the wine-producing regions of south-west Germany. The newly-developed 7.5 h.p. machine transports the grape-filled bins up the hillsides to unloading points.

B A S F Sales in U.S. $2.4 Billion in 1984

According to preliminary data, sales of BASF companies in North America in 1984 reached $2.4 billion, an increase — adjusted to a 1984 acquisition — of 11.1 percent compared to the preceding year.

BASF capital expenditures in North America totaled $155 million in 1984 in 1984. Plans call for a 50 percent increase in these outlays in 1985.

"D 1": First German Space Lab Mission

German high tech will be in action again this year. On October 14 the American space shuttle Columbia is scheduled to be launched on a one-week mission at Cape Canaveral. Preparatory tests are currently being carried out. What is special about this mission is the fact that the scientific research work and the work of the astronauts on board will be under German supervision. For this reason the mission is being called "D 1".

On board the spacelab the two German payload experts Reinhard Furrer and Ernst Messerschmid, along with Dutchman Wubbo Ockels and Americans Buion Bluford and Bonnie Dunbar will conduct a wide range of scientific experiments. They will be supported and directed by ground control which, for the first time, will not be in the United States but rather in the Federal Republic of Germany, i.e. at the "German Space Operations Centre" (GSOC), located in Oberpfaffenhofen near Munich. Ulf Merbold, the first West German to go into space, will be talking to the astronauts from GSOC ground control. The flight of the space shuttle itself will be controlled from Houston as usual.

Spacelab is Europe's contribution to the American space shuttle program. It is a multipurpose space platform developed and built by the European aerospace industry for industrial and scientific purposes and can be used for both manned and unmanned missions. It is reusable, having a projected service lifetime and 50 missions or about 10 years. As such, spacelab provides research and engineering scientists an opportunity to explore physical conditions in space. Bonn has indicated that it is willing to cooperate as a member of the European Space Agency in developing the manned space station concept being pursued in the United States (Columbus) and in the further development of Ariane, the European carrier rocket.

The "D 1" spacelab mission is to take place under German supervision this fall. The science astronauts scheduled to be on the flight are shown here in a mock-up of spacelab.

Electronic Ear Worn on Wrist New Aid for the Deaf

A new electronic device for the deaf and the hard-of-hearing is now commercially available. It is able to convert various types of sound, e.g. speech, music, environmental noise, into tactile sensations on the skin. As easy to wear as a watch and simple to operate, this new aid provides its users with a previously unattainable range of perceptions and helps them to deal with their surroundings much more successfully.

The "mini-fonator" is particularly useful in that it is able to identify consonants such as "n", "t" and "s" that are often difficult to distinguish in lip reading. The device is also valuable in that it indicates speech rhythms to the user, something very important for the understanding of speech.

NEWS

HOECHST REPORTS 50% PROFIT INCREASE

American Hoechst Corporation reported net earnings rose 50 percent in 1984, reaching $53.2 million compared to $35.5 million in 1983.

Sales for the diversified chemical company increased 8.3 percent to $1.76 billion versus $1.63 billion the previous year.

The sales gain was based almost entirely on increased volume of products sold, said president and chief executive officer Dieter zur Loye.

The major contribution to profits came from the Fibers and Film group with the Specialty Products group and the Health Care and Agri-Vet group providing significant shares.

American Hoechst's largest group, Fibers and Films, achieved a 12 percent sales increase, reaching $652 million in 1984. The second largest group, Specialty Products, accomplished a 13 percent gain in sales to $420 million.

American Hoechst's Health Care and Agri-Vet group raised sales by 11 percent, reaching $293 million. The Petrochemicals and Plastics group saw sales decline three percent, down to $396 million but managed to reduce its losses compared to 1983.

Of the 21 different business units of American Hoechst, 15 increased their sales and 12 raised profits in 1984, Mr. zur Loye said.

Indian dress was part of the welcoming ceremony at the U.S. stand for Berlin's Governing Mayor Eberhard Diepgen (2nd right). Peter Bohen, Regional Director of the U.S. Travel and Tourism Administration (left) and Dr. Manfred Busche, Managing Director of AMK Berlin (far right) at this year's 19th International Tourism Exchange ITB Berlin 1985.

ADAC has broadened its range of activities in the U.S.

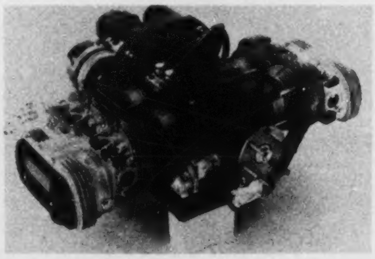
The German ADAC (Allgemeiner Deutscher Automobil Club), with more than 7 million members, the largest motoring organization in Europe and second only to the American Automobile Association (AAA) world wide, has broadened its range of activities to offer a more flexible variety of travel options to the American market. In 1984, they started their Exploring Europe Program, a completely new, self-drive concept designed for individual travelers who prefer to set their own pace.

Acting as wholesaler for American tour operators, ADAC has designed Scandinavian driving tours through as many as five countries and 13 cities.

In cooperation with BMW of North America, ADAC conducted a very successful Oktoberfest Tour last fall, and plans are currently underway to repeat the experience this fall.

In addition to its comprehensive travel support services, ADAC recently launched their Kongress Service & Incentive (KSI) program.

Engines for Light-Sport Aircraft



Peter Limbach, Sr., president and founder of Limbach Flugmotoren, Koenigswinter, West Germany, announced the creation of a U.S. subsidiary company — the Limbach Aircraft Corporation. The new U.S. company will market the parent firm's civil and military aircraft engine models from its offices in the international business aircraft center located at the Tulsa International Airport.

The Limbach firm in West Germany is a mature company that has specialized in the design and production of a wide line of engines for light-sport aircraft. Their engines have dominated the power-plant markets of the European motorglider industry.

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Our Activities

1

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5

Industrial Products

Thyssen Rheinstahl Technik - New York

Equipment, Machinery, Industrial Products, Specialty Chains, Forgings, Castings, Equipment and Parts for Offshore Rigs and Platforms, International Industrial Construction Services

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2

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3

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NEWS

BMW 635CSi . . . The performance of the limited production BMW sport coupe is enhanced with the addition of the powerful 3.5 liter BMW six-cylinder engine and the BMW anti-lock braking system (ABS). A new color keyed front spoiler with integrated halogen fog lights and wider, lower profitable TRX wheels and tires are also standard for 1985.

Three 1985 BMW Feature New 3.

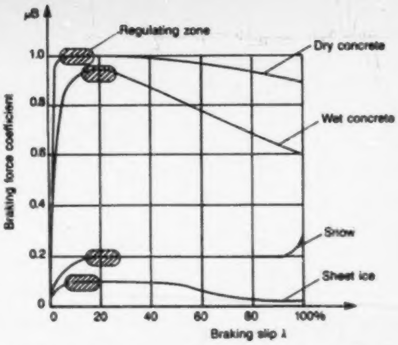
In three 1985 BMW models — 735i, 635CSi and 535i — a new 3.5-liter six-cylinder engine moves from flat-out European Autobahn driving and racing circuits to the American road, delivering even better performance and driveability than its illustrious 3.2-liter predecessor. In the 1985 BMW 735i, 635CSi and 535i, Anti-lock Braking System (ABS) is standard equipment.

The new engine, whose increased displacement was achieved by increasing its bore from 89 to 92 millimeters, was introduced in Europe in 1984 models. For the North American version, BMW engineers concentrated not on a stratospheric horsepower figure — that is virtually unchanged at 182 hp — but on optimizing the engine's torque delivery.

So it is that its peak torque is up nearly 10 percent, from 195 to 214 pounds-feet, and its horsepower peak occurs 600 rpm lower: at 5400 rather than 6000 rpm. Both factors add up to stronger acceleration in the 1000-to 5000-rpm range — which means there's useful gain in performance up to speeds well beyond the legal limits of American driving.

In the 735i and 635CSi, a somewhat "shorter" final drive ratio (3.45:1 versus 3.25:1 before) complements the added torque, improving through-the-gears acceleration even more than just the stronger engine alone would do. Perhaps more meaningful is the across-the-range improvement in response, which can translate into quicker acceleration at any time in any gear — or less gearshifting if the driver prefers it that way. A Getrag five-speed manual transmission, is used in all three models; the optional ZF four-speed automatic is also exceptionally well suited to the high-torque engine.

Like its 3.2-liter predecessor, the new powerplant is one of the BMW family of "big" six-cylinder engines, with a chain-driven single overhead camshaft in an aluminum cylinder head with hemispherical swirl-action combustion chambers, valves in V-formation, and crossflow intake-exhaust porting.



During braking, there is always some slip between tires and road. Wheel locking, or skidding, occurs when slip reaches 100%. These curves for different road surfaces show how the relative braking ability of tires (braking force coefficient) varies with the amount of slip. For all the surfaces shown here except snow, skidding means significantly less braking ability; ABS eliminates wheel-lockup for maximum braking ability. Even on snow, where skidding does give greater braking ability, ABS is advantageous because it retains steering ability.

NEWS

Audi's World Championship Winner — The Quattro

1985 Audi Quattro Turbo

The 1985 Audi quattro Turbo has entered the marketplace with one more laurel wreath — the 1984 World Rally Manufacturers Championship. It's a repeat of the title won by the quattro in 1982 and follows on the heels of the 1983 World Rally Drivers Championship won by Hannu Mikkola in the quattro.

Audi's quattro system of permanently-engaged all-wheel-drive is the reason for the car's success in rallys from Argentina to Great Britain to New Zealand, and the reason why the quattro provides safe mobility under any road or driving condition from arid desert to Alpine snows.

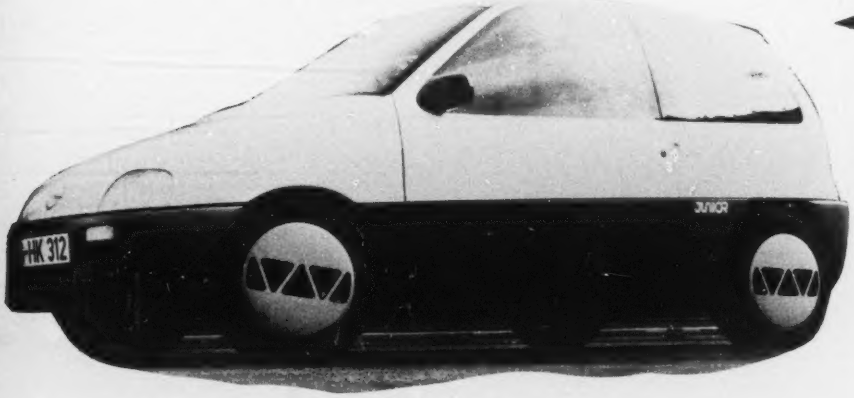
A 160-horsepower, turbocharged five-cylinder engine with an air-to-air intercooler — the same as fitted to the rally version — provides the performance which takes the quattro Turbo from zero-to-60 mph in 7.5 seconds. The quattro Turbo is capable of reaching a terminal velocity in fourth gear of 130 mph, yet the ultra-high performance GT gets 22 miles per gallon in the city, according to estimates provided by the Environmental Protection Agency.

New features this year include the differential lock control rotary switch which provides surer functioning and makes it easy for the driver to tell, even by feel, the status of the differential control. New electronic bar graph displays are provided for voltage and oil temperature, and these displays are mounted in the console, alongside the differential lock control.

The leather seats have been redesigned and two new leather colors have been added. The heatable seats now are provided with temperature controls which are independently set.

Four new metallic colors are provided for the exterior and the large rear spoiler — similar to that of the World Championship-winning rally quattro — is now body-colored.

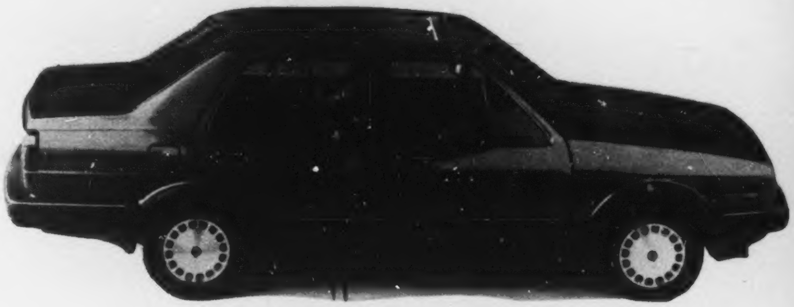
New to the quattro Turbo this year, as with all 1985 Audis, is a six-year limited warranty against corrosion perforation without mileage restriction. It is in addition to the two-year limited warranty covering the entire vehicle, also without mileage restriction.



◄ Opel Junior Wins Design Prize

Opel has been awarded an international design prize. An international panel of experts awarded the prize for the Opel Junior. Unveiled for the first time at the IAA '83 Motor Show, the Junior is a racy-looking four-seater and was designed with young people in mind. It won the prize in the "Future Studies" category. With a 1.2 liter engine (40 kw/55hp) the Junior has a top speed of 150km/h, accelerates from 0 to 100km/h in less than 15 seconds and uses around four liters of fuel per 100 kilometers at a constant speed of 90km/h.

NEWS



1985 VW Line Bows With Three New Cars

Three brand-new cars and a host of detail improvements in four other models spotlight the 1985 Volkswagen lineup.

A new, longer-term warranty and a new anti-corrosion perforation warranty, plus reductions in the prices of some models are also featured for 1985.

New for 1985 are the Jetta notchback, the Golf hatchback, and the high-performance GTI, all of which provide significant improvements in interior space, performance, ride and handling. The Golf and Jetta are available in two- and four-door versions with a choice of gasoline or diesel powerplants sheathed in bodies with improved aerodynamics. The GTI with its high output fuel-injected engine is a two-door.

The limited warranty on all 1985 Volkswagens has been extended to two years with no mileage limitation; it had been 12 months with unlimited mileage.

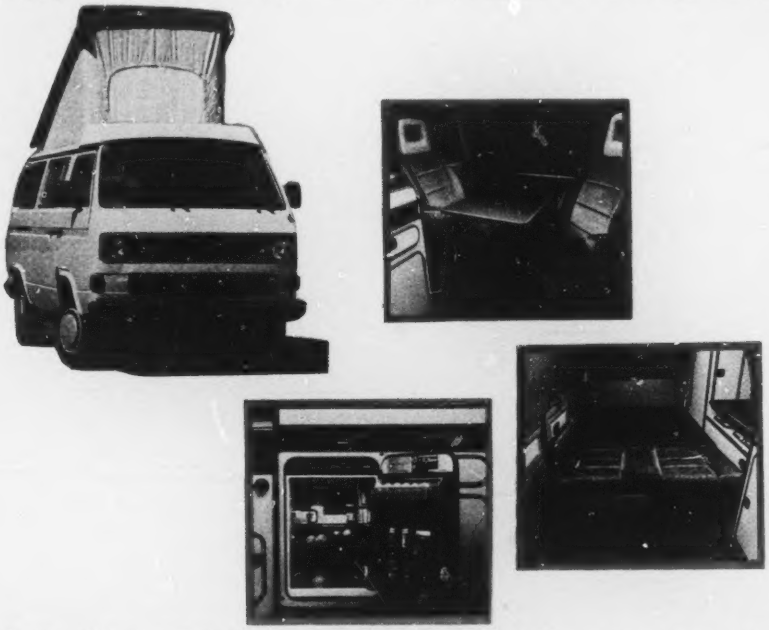
In addition, all 1985 VWs are covered by a limited three-year anti-corrosion perforation warranty, also with no mileage limit.

Suggested retail list prices for the 1985 VWs start at $6,790 for the Golf diesel two-door which, according to EPA estimates delivers 37 miles per gallon.

VW's luxurious flagship models, the Quantum four-door GL5 Sedan and the four-door Wagon have new gasoline engines in 1985. The Sedan now comes with a 2.2-liter, 110-horsepower five-cylinder powerplant, while the Wagon is equippd with a new 1.8-liter 88-horsepower four.

The Vanagon from Volkswagen continues to offer the greatest load carrying capacity of any mini-van sold in the U.S. and is again powered by a water-cooled fuel-injected flat-four "waterboxer" engine.

The Vanagon GL Camper, which can accommodate four adults with virtually all the comforts of home, enjoys the Vanagon GL improvements such as power steering plus a restyled storage cabinet behind the driver's seat to permit more seat recline. Options include swivel front seats and removable enter swivel seat to increase passenger capacity to five persons.



The Westfalia Camper's amenities are thoughtful. A unique pop-top roof. Two double bedroom areas. A removable carpet. Even front bucket seats that swivel. You can cook three-course meals on the 2-burner LP gas-stove, wash the dishes in a sink supplied by a 10.5 gallon tank and keep your groceries fresh in a gas/electric refrigerator and food cupboard. Dining is comfortable and intimate, since the front bucket seats swivel to face swing-out tables. When it's time to retire, you have a choice of two bedrooms. An upper double bunk when the pop-top is raised, and a lower double bed formed by the convertible rear bench seat.

INTENTIONAL
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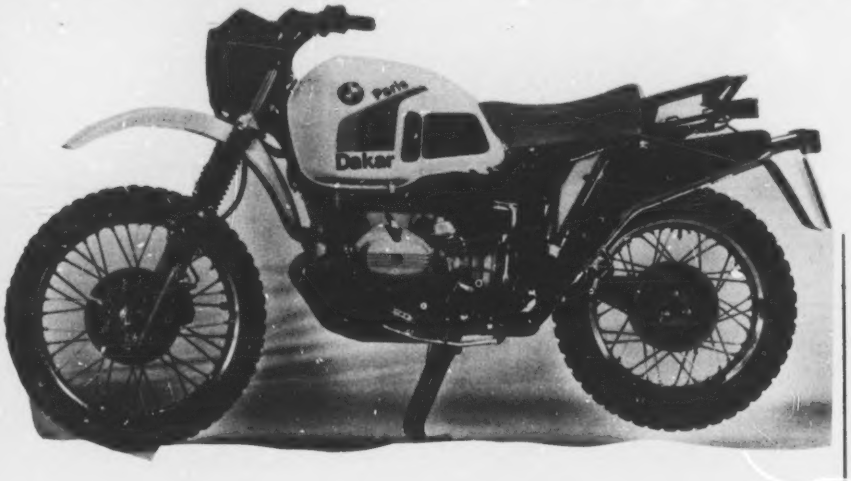
NEWS



BMW Makes Special Model

A special model with only a limited number being built — was created on the basis of the BMW Enduro R 80 G/S — along the lines of the winning BMW ridden by Gaston Rahier which saw the Belgian motorcross former world champion win the 1984 Paris-Dakar Rally. In contrast to the original competition model (1,000 cm^3, more than 75 HP) the special desert model has the 50 HP 800 cm^3 engine of the R 80 G/S.

Luxury Cars

Bitter Automobile KG, Schwelm, West Germany, has announced the introduction of the Bitter SC luxury car to the United States. Bitter automobiles have been available in Europe for the past 11 years. Bitter Automobile of America, the North American marketing and distribution arm of Bitter SC, has already established 20 Bitter dealerships throughout the United States.

Detroit Industry

Thanks in part to a $1 million Ford corporate grant, an unprecedented exhibition of the works of famed Mexican painter Diego Rivera will be seen in four nations, starting next year, to commemorate the centennial of both the artist's birth and the founding of the Detroit Institute of Arts.

Announcement of the grant was made by Philip Caldwell as his last official act before retiring earlier this year as chairman of the board and chief executive officer of Ford Motor Company.

The exhibition, entitled, "Diego Rivera: A Retrospective (1886-1957)," will be shown successively in museums in Detroit, Philadelphia, Madrid, Berlin and Mexico City during its two year international tour.

Included in the Rivera show will be more than 200 of his paintings, frescos, sketches and watercolors as well as photographs and a film of the muralist, his associates and his work in both the United States and Mexico.

Rivera's most famous work in the United States is considered to be his fresco cycle "Detroit Industry," based on operations at Ford Motor Company's River Rouge industrial complex, which he created for the interior courtyard of the Detroit Institute of Arts in 1923-24 as a commission from the late Edsel Ford.

MILLION DOLLAR SMILE — Standing before Diego Rivera's huge "Detroit Industry" murals in the Detroit Institute of Arts, Philip Caldwell, in his last official act as chairman of Ford Motor Company, announces that Ford will donate $1 million to help underwrite a four-nation tour of the works of the famed Mexican artist.

CORRECTED
STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION

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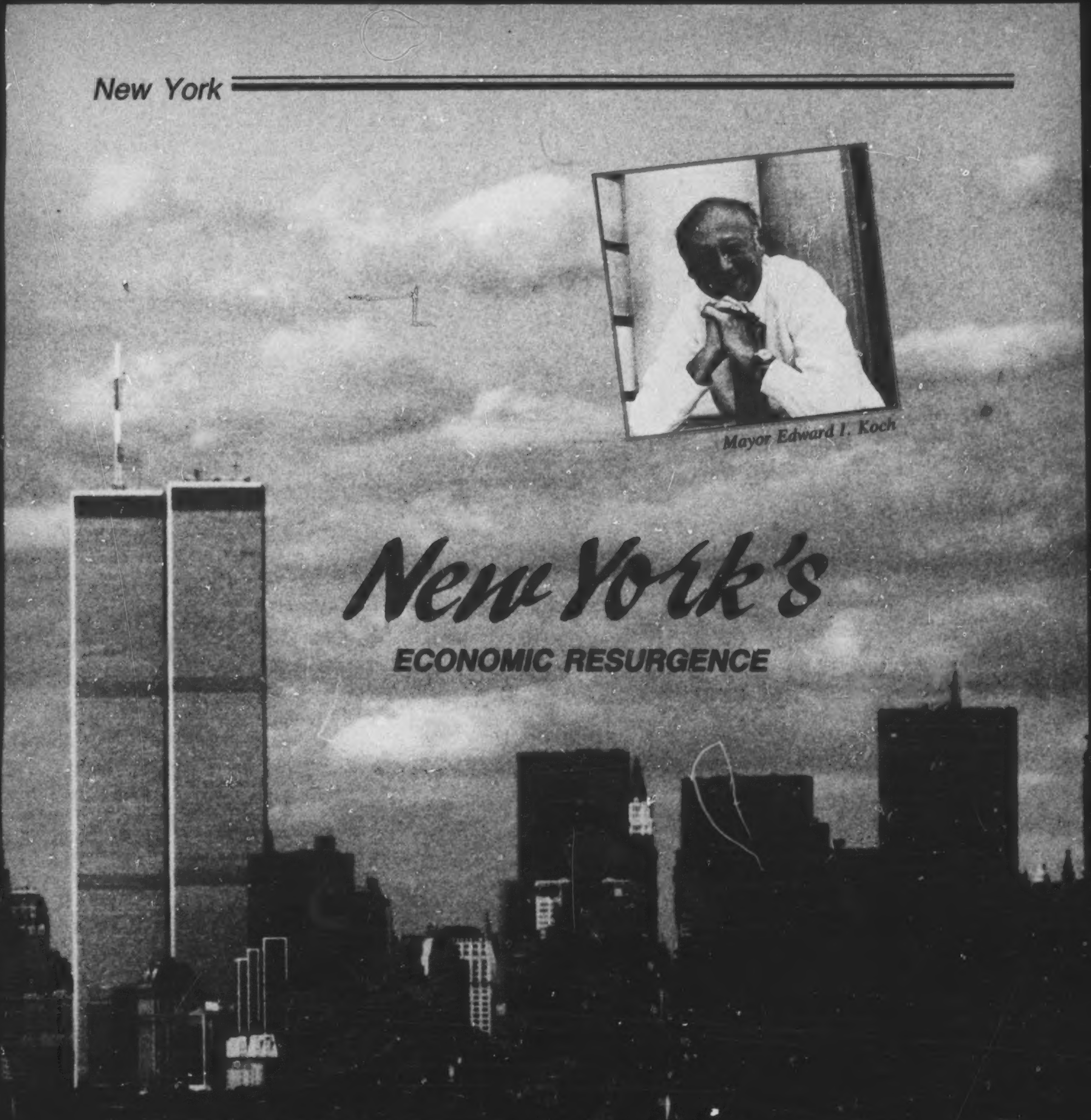
I certify that the statements made by me above are correct and complete.

Guenther Olthof
Editor



Mayor Edward I. Koch

New York's
ECONOMIC RESURGENCE

New York is presently experiencing an economic upturn which was thought to be impossible only a few years ago. The bad 70's where this city of millions was at the brink of bankruptcy, have almost been forgotten by the citizens. Almost everywhere in Manhattan new skyscrapers appear as a visible sign of the prosperity of this metropolis.

New York is without any doubt about to get rid of the almost fatal and profound economic crisis of the late 70's. This economic miracle is closely linked with the name of its popular and down-to-earth mayor, Edward I. Koch. It appears that his administration has succeeded in reviving the city's staggering economy by giving well-aimed incentives to investors.

Some ten years ago, in 1975, no one was willing to loan the city money on the private finance markets. Increased expenditure and the dwindling economic potential had driven the city to the brink of bankruptcy. Meanwhile, New York has managed to pull itself up by its bootstraps. The former budget deficit of 2 billion dollars gave way to a budget surplus five years ago, and city bonds are again favored securities.

A great number of the public projects which had to be postponed in former years are now once again within the realm of possibility. The city is presently planning a 40 billion dollar project ~~for the n~~ext ten years in order to modernize its infrastructure, parts of which are hopelessly outdated. Expecially the subway system urgently needs to be modernized, since it is daily near collapse.

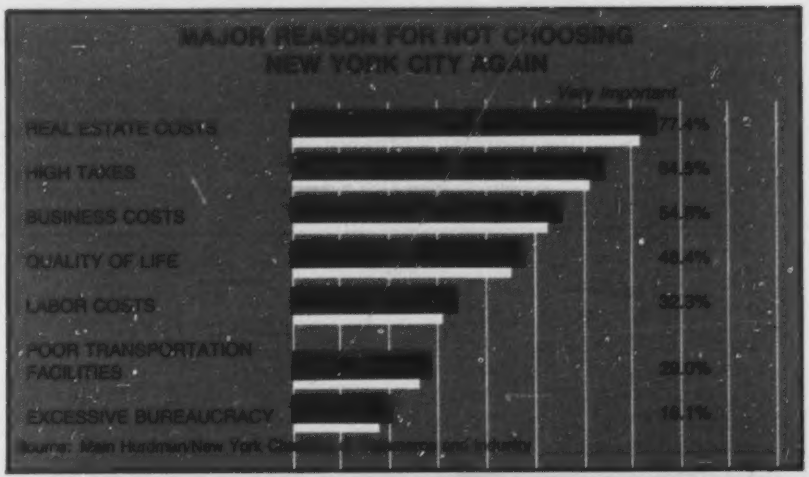
Almost 250,000 new jobs created

The city's economic foundations are now almost crisis-proof due to the fact that New York, more than any other city in the world, has succeeded in attracting service industries. The loss of jobs in the traditional production sector has been more than offset by the creation of new jobs in the service industries. Nearly 250,000 new jobs were created within the last five years. The fact that New York was less affected by the U.S. general economic recession in the early 80's than the economy of the state in general has to be attributed to its high share of the service industries. Also, the city's per capita income increase was above average in comparison with the other American states.

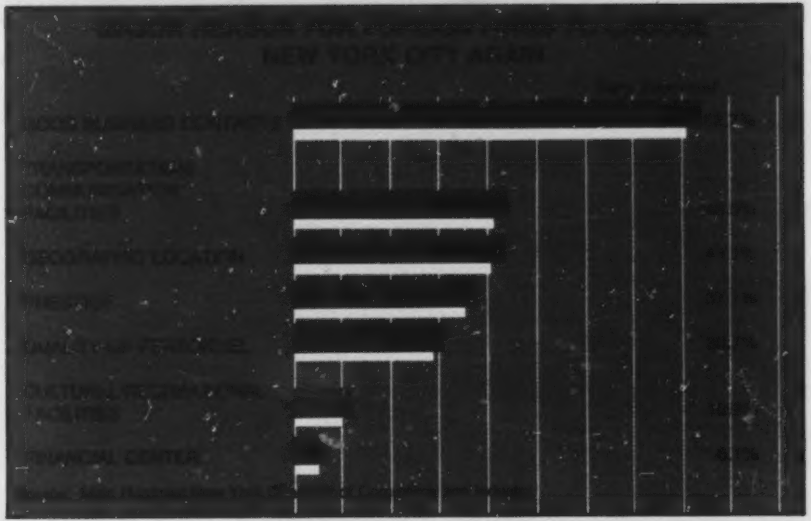
Manhattan has become too expensive for many people

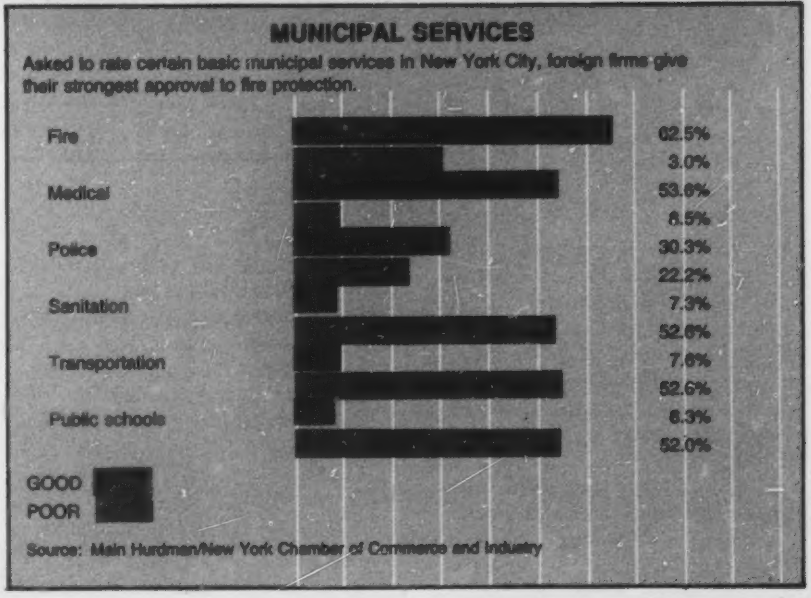
With the implementation of tax incentives New York has done a lot to boost its economic recovery. The city decreased its corporate tax and avoided increasing its income tax, a measure which in the 60's and 70's was a regular occurrance.

Mayor Koch's exclusively business oriented policy has also resulted in some discrepancies. Many of the not so well trained New Yorkers have lost their jobs in the city's factories and


MAJOR REASON FOR NOT CHOOSING NEW YORK CITY AGAIN

Source: Main Hurdman/New York Chamber of Commerce and Industry


NEW YORK CITY AGAIN


MUNICIPAL SERVICES

Asked to rate certain basic municipal services in New York City, foreign firms give their strongest approval to fire protection.

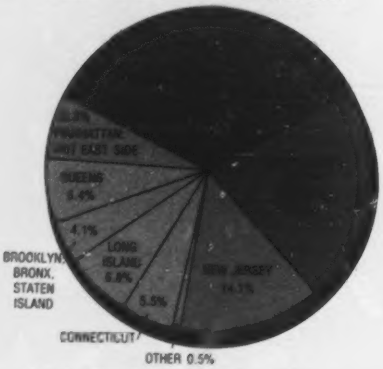
Source: Main Hurdman/New York Chamber of Commerce and Industry been cast out of the social network. The number of homeless people who spend their time in the waiting halls of Grand Central Station — or lately also in the prestigious streets of "Midtown" Manhattan — is increasing.

The middle class moves to the suburbs

Space for residential housing is scarce in New York; the rents are well above average. The middle class has been pushed to the suburbs by the city's high living costs. Many managers complain that it is becoming more and more difficult to attract talented young executives for jobs in Manhattan despite high salaries.

One must also not forget that New York still has the highest tax levels in the country despite tax incentives for business. New York is one of the few American cities where the taxpayers have to pay a city tax as well as a state tax. According to business evaluations the tax burdens in New York are almost twice as high as in Chicago and four times as high as in Houston.

WHERE DO FOREIGN EXECUTIVES LIVE



Source: Main Hurdman/New York Chamber of Commerce and Industry

How will the trade unions react?

The reaction of the trade unions, which in the past years have formed a coalition with the city administration and thus attributed to the economic recovery, is another risk for the city's future development. During the time of the economic crisis, the trade unions bought city bonds with their own funds in order to help the city get back on its feet financially. Many observers believe that the trade unions will demand a compensation for their abstention with regard to salary increases now that the city is prospering.

Wall Street

the most densely populated business street in the world

For many years the financial crisis has temporarily overshadowed the exceptional economic importance of New York. With the economic recovery the incomparable market power of New York is once again in the limelight. The 20 million people living within a radius of 60 miles from the city represent buying power of 150 billion dollars annually. Nowhere in the world is there such a concentration of economic and cultural activities as there is in New York.

The Wall Street banking district is the most densely populated business quarter in the world. On weekdays there are about one million people on only one square kilometer. At the New York Stock Exchange at the corner of Wall Street and Broad Street, shares of 1,500 leading enterprises are traded every day. The New York Stock Exchange is the most important and the most famous stock exchange in the world.

Three quarters of the leading economic consulting firms, one fifth of the major law firms and four fifths of all advertising firms have their headquarters in New York. The firms in the finance, insurance and real estate sectors employ almost 1.5 million people. Of the 100 largest banks, 93 have their headquarters in New York. In addition there are subsidiaries of more than 310 foreign banks.

The city's historic development and its exceptionally advantageous transportation situation make New York the real crossroads of the world. More than one fifth of all imports and exports for the huge American market go through New York's natural deepwater port. The port's annual turnover amounts to 30 billion dollars. In the harbor's two free trade zones in Brooklyn and Staten Island, freight commodities can be stored duty-free until they are exported. Processing enterprises are also allowed to produce duty-free commodities as long as they are not shipped to any other place within the U.S.

J.F.K. is the largest airfreight center in the world

The economy of the city, which is always busy, is also connected via air with the other centers of the world by a dense network of direct flights. Almost all of the major international airlines provide regular service to the three international airports — Kennedy, La Guardia and Newark. J.F.K. Airport, which is situated in the drained Jamaica Bay in the south of Queens, is the most important airfreight center in the world.

New York's transportation also offers another superlative. The city has the longest underground transport system with 707 miles of tracks, 5,140 cars, and 458 subway stations. In addition, 3,900 busses connect the city's five boroughs.

About 30% of the American market on the doorstep

Experts have figured out that an enterprise in the greater metropolitan area can reach 30% of the American market by truck overnight.

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The price for a square foot is $50 and more in Manhattan

It is undisputed that Manhattan is still the core of New York's real estate business. Real estate brokers always discover new building sites, although according to some critics, the city already has too much of everything. Lately, however, real estate brokers are becoming more thoughtful about the prospects due to the fact that some objects are difficult to lease. There is no branch consensus as to whether New York is near the end of a real estate boom or at the beginning of just an even bigger boom.

Executives value rapid contact

While it is true that the surrounding boroughs and New Jersey are trying to compete with neighboring Manhattan, this narrow strip of land between the Hudson and the East River remains the favorite with many firms wanting to settle in the area. In spite of the shortening paths of communication today resulting from computer-controlled telecommunications, executives especially value the high concentration of business life in Manhattan. Many executives place great significance on the personal contact possible at a business lunch.

A sinfully expensive site

The unique location and the rock foundation, which apparently makes possible skyscrapers of unlimited height, have made Manhattan a sinfully expensive site. Rent on one square foot of office space in new buildings in Midtown costs up to 50 dollars or more per month.

Manhattan already offers about 300 million square feet of office space — that is almost as much as in Los Angeles, Dallas and Chicago combined. In the next five years, an additional 27 million square feet of commercial space are to be constructed. An especially favored area for new construction is Lower Manhattan, which already has 130 million square feet of office space in the vicinity of Wall Street. By comparison, downtown London can only offer 60 million square feet.

50 dollars per square foot is seen as a sound barrier

The New York economic magazine NEW YORK CITY BUSINESS has determined that the construction boom has made it more difficult for lessors to find solvent lessees. This is especially true for downtown Manhattan. According to experts, rents for newly constructed buildings must be around $50 per square foot in order to guarantee a reasonable profit. However, the $50 mark is today generally regarded as a psychological barrier which is seldom crossed by lessees.

Many real estate brokers have had to grant rent concessions up to 10% and even more. The majority believe that there will be no further decline in rents; however, an increase is likewise not probable. The low demand at the end of 1984 left many owners concerned, although it seems that the situation for owners of office space has improved since the beginning of the year. An experienced New York real estate manager recently characterized the market situation as follows: "The question is not whether the lessees are able to pay $50 per square foot, but whether they are willing to do so." The magic line will only be crossed when a super object is at stake. According to information from real estate brokers, 80% of all contracts are between 20 and 40 dollars per square foot.

The increasing offers of attractive new buildings have resulted in extreme

Foreign Direct Investment in the U.S.			**U.S. Direct Investment Abroad**	
	(billion $)	**1983**		**(billion $)**
UNITED KINGDOM	**32.5**	Petroleum (18%) Chemicals and allied products (11%) Wholesale trade (10%) Real estate (10%) Insurance (9%) Retail sales (9%) Banking (7%) Other industries	Petroleum (43%) Finance/Insurance (30.9%) Real estate (14%) Machinery (10%) Other industries	**30.9**
NETHERLANDS	**28.8**	Petroleum (34%) Chemicals and allied products (10%) Real estate (8%) Banking (5%) Other industries	Petroleum (40%) Chemicals and allied products (16%)	**8.7**
JAPAN	**11.2**	Wholesale trade (68%) Banking (12%) Real estate (4%) Other industries	Petroleum (25%) Machinery (19%) Trade (16%)	**8.1**
CANADA	**11.1**	Real estate (19%) Petroleum (13%) Metals (12%) Other industries	Petroleum (28%) Finance/Insurance/Real estate (16%)	**47.5**
WEST GERMANY	**10.5**	Wholesale trade (29%) Chemicals and allied products (24%) Insurance (11%) Machinery (10%) Real estate (8%) Other industries	Petroleum (21%) Transportation equipment (17%) Machinery (14%) Chemicals and allied products (11%)	**16.0**
SWITZERLAND	**7.1**	Chemicals and allied products (23%) Insurance (18%) Machinery (7%) Other industries	Trade (50%) Finance/Insurance/Real estate (26%)	**15.0**
Source: U.S. Department of Commerce/ German American Chamber of Commerce			Bermuda: 11.5 Brazil: 9.0 Australia: 8.6	

pressure on rent prices for older buildings; they are around $30 per square foot. The existing older buildings are sometimes also difficult to rent because the connected space is often not large enough for big enterprises. These generally need 100,000 square feet or more.

Go West

Experts voice the opinion that skyscrapers with 2 million square feet of rentable space are out of date, with the possible exception of downtown Manhattan. The western part of the city is regarded as a potential development area, since there are hardly any usable building sites left on the East Side. "Go West" is therefore the motto. Especially 7th Avenue and Broadway, some parts of which do not have a good reputation, are thought to be good development zones. Almost four million square feet of office space will be created in the renovation of the Times Square area. The locations on both sides of 5th Avenue between 42nd Street and Central Park are especially desirable. This area can be reached easily by the hundreds of thousands of commuters who pour into the city daily. The presently moderate reputation of the development areas is not viewed as disturbing within the real estate sector. Brokers point to 6th Avenue which likewise once did not have the best image but through the construction of many new buildings became a real gold mine for many real estate brokers.

Brooklyn is to become the third major business center

Mayor Koch and his administrative experts are now making great efforts to extend the construction projects and the influx of businesses to the other boroughs as well. According to the city's plans, Brooklyn should become the third major business center, alongside downtown and midtown Manhattan. Brooklyn has a large potential labor force, it has good transportation connections and, above all, it still has relatively economical building sites. Half a dozen projects are already being planned. But what is still missing is a real drawing card for the development plans in Brooklyn. Skeptics point out that in the 70's the administration of the mayor at that time, John Lindsay, already unsuccessfully attempted to turn the previously significant Brooklyn into a further center of business.

New Jersey's lure of favorable rents

New Jersey, which is just outside the city and is also where numerous German manufacturing facilities have located, is attempting to lure business with particularly favorable rents of $17.50 to 25.00 for new buildings and $13.00 to 17.00 for older buildings. "In contrast to Manhattan, where all eyes in the real estate business are directed upward, one can still think horizontally in New Jersey", is the way one broker describes the situation.

Northeast of New York City, White Plains in Westchester County is also making substantial efforts to attract companies seeking new locations.

Long Island has also experienced a great economic upsurge in the past few years. About 2 million square feet of commercial space have been newly built. A further 2.5 million square feet are planned for 1985 and 1986. Many firms which are unable to expand in Manhattan have retreated to Long Island.

Mercedes sign in the skyline of New York City.

The Largest Concentration of International Business Activity

Foreign investment in the City is currently valued at over $100 billion. Without question, New York City has the largest concentration of international business activity in the world. Helpful informations about foreign-owned firms currently operating in New York City contains the "Survey of Foreign-Owned Firms Operating in New York City 1983" produced jointly by MAIN HURDMAN, one of the world's largest accounting firms and the New York Chamber of Commerce and Industry.

Japan leads all other countries in the number of companies with operations in New York City. Of the foreign-owned firms that chose to reveal the national origin of their parent company, 29.1% are Japanese. Excluding Canada, Japan is the United States's leading trade partner, with a combined U.S.-Japanese import-export volume in excess of $59 billion annually. France (15.8%), the United Kingdom (15.3%) and West Germany (11.7%) have the next greatest presences in New York City: these countries also are among America's other leading trade partners.

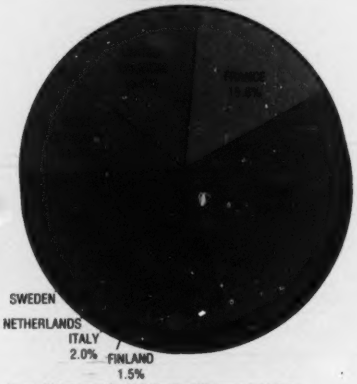
Nearly one-third of the foreign firms say their ultimate parent company is

Werner & Pfleiderer Corporation's new plant facilities consolidate the company's administrative offices, machinery manufacturing and assembly operations, engineering and technical services groups, pilot plant operation, development laboratories, replacement parts warehousing and field maintenance services, all under one roof. The new 89,000 square foot plant facility is located on an 18-acre site at E. Crescent Avenue, Ramsey, New Jersey.

principally engaged in banking (22.5%) or financial service (insurance, brokerage, etc.) activities (9.9%), emphasizing New York City's importance as an international financial center. Manufacturing also is heavily represented, with manufacturing firms accounting for 30.2% of the total. Import-export and retail/wholesale trade firms account for 14.7%, while 10.5% of the firms identify their ultimate parent as a communications company. The remaining firms are scattered among real estate, mining and other activities.

Cross-tabulating the questions on nationality of the parent company and the principal activity of the New York office reveals that the four major countries with the greatest number of firms in New York City (Japan, West Germany, France and the U.K.) tend to be heavily represented in specific industries. For example, West German firms in New York City are exceptionally concentrated in manufacturing (43.5% of all West German firms in New York City), possibly reflecting American demand for that country's manufactured products. West Germany also is well represented in the banking and financial community, with 30.4% of West German firms in New York City principally involved in this sector.

NATIONALITY OF FOREIGN-OWNED FIRMS IN NEW YORK CITY



Source: Main Hurdman/New York Chamber of Commerce and Industry

More than two-thirds (68.8%) of the foreign firms in New York City say that their local operations have undergone "major expansion" by adding a "significant" number of new employees and/or office space since moving here. West German firms seem particularly vigorous: 95.5% report that they have significantly expanded their local office since beginning operations here, and none of the West German firms report making cutbacks.

Hair Cosmetics
COLOR-CHARM BALSAM
LATONE KOLESTRAL

Wella AG of West Germany: One of the major U.S. subsidiaries of German firms, based in New Jersey just across the Hudson River from Manhattan

More than a quarter (27.3%9 of the foreign-owned firms in New York City have moved here since 1977.

Among the four major U.S. trading partners covered in the survey (Japan, West Germany, Britain and France), all generally agree that the size of the potential local market for their goods and services is an important reason for choosing New York City. The British (60%) and the Japanese (56.1%), however, give greater primacy to this factor than do the West Germans (47.8%) or the French (45.2%).

More than four out of five (82.2%) firms participating in the survey believe their company would still choose New York City today as a business location, based on their experience here. Only 8.1% say they would not choose New York again.

Among those respondents who said "No, our firm would not choose New York City again today as a business location" (8.1% of the total sample), the high cost of real estate and office space (77.4%) and high taxes (64.5%) are considered very important factors influencing their decision.

High costs such as energy, utilities and the price of raw materials are considered very important negative factors by more than half (54.8%) of those firms who say they would not open offices here today. Labor costs are a disincentive for one in three (32.3%). Nearly half (48.4%) these firms also react negatively to "the quality of life" in New York City. Excessive bureaucracy and government regulation are considered very important negative factors by one in six (16.1%) of those firms who say they would not choose New York City again. ■

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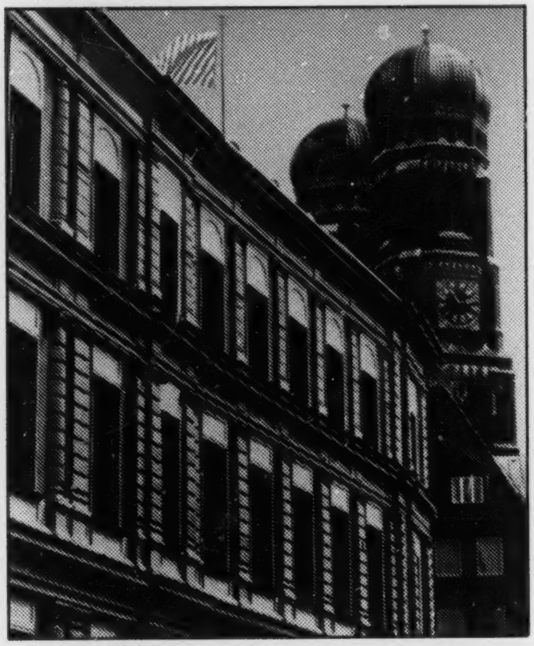
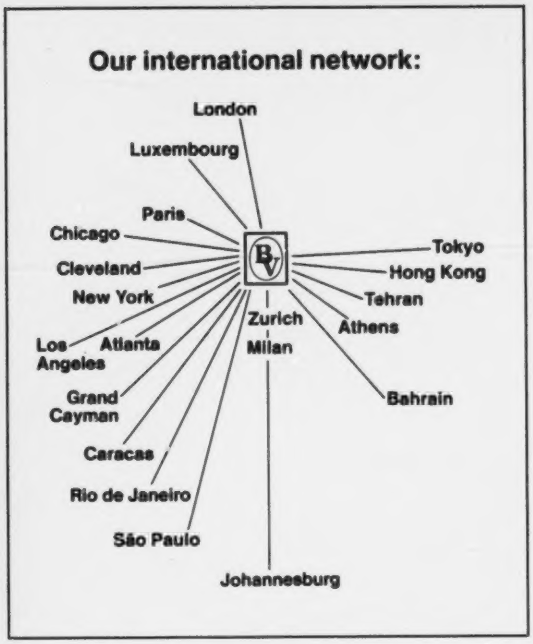


Head Office Munich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AMERICAN SUBSIDIARIES OF GERMAN FIRMS WITH MORE THAN 2,000 EMPLOYEES

GERMAN PARENT COMPANY	U.S. SUBSIDIARY	PRODUCTS	NO. OF EMPLOYEES	HEADQUARTERS
Tengelmann	A & P The Great Atlantic & Pacific Tea Co., Inc.	Retail Supermarkets Food and General Merchandise	53,000	New Jersey
Bayer	Miles Laboratories, Inc. Agfa-Gevaert, Inc. Cutter Laboratories, Inc. Helena Chemical Co. Mobay Chemical Corp.	Chemicals Pharmaceuticals	22,242	Indiana New Jersey California Tennessee Pennsylvania
Siemens	Siecor Corp. Siemens Allis, Inc. Siemens Capital Corp. Siemens Communication Systems Siemens Components, Inc. Siemens Corporate Research & Support, Inc. Siemens Credit Corp. Siemens Gammasonics, Inc. Siemens Hearing Instruments Siemens Medical Laboratories Siemens Medical Systems, Inc. Crystal Technology, Inc. Databit, Inc. General Numeric Corp. HCM Graphic Systems, Inc. Microwave Semiconductor Corp. Osram Sales Corp.	Various Products	15,186	North Carolina Georgia New York New Jersey New Jersey New Jersey Florida Illinois New Jersey California New Jersey California New York Illinois New York New Jersey New York
Haniel	Scrivner, Inc.	Wholesale and Retail Grocery Products	14,000	Oklahoma
BASF	BASF Systems Corp. BASF Wyandotte Corp. Badische Corp. Fritzsche, Dodge & Olcott, Inc. Glasurit America, Inc. Limbacher Paint & Color Works	Chemicals Video Computers	12,000	Massachusetts New Jersey Virginia New York Michigan Ohio
Holzmann	Philipp Holzmann USA, Inc.	Construction Engineering	9,000	North Carolina
Volkswagen	Volkswagen of America, Inc. Vorelco, Inc.	Automobiles	7,000	Michigan Michigan
Daimler-Benz of North America	Daimler-Benz of North America Holding Company, Inc.	Automobiles	6,656	New York
Freudenberg	International Packings Corp. Disogrin Industries Corp. Pellon Corp. Robus Products Corp. Simrit Corp.	Various Products	3,200	New Hampshire New Hampshire Massachusetts Indiana Illinois
Bosch	Robert Bosch Corp.	Automotive, Technical Communication and Household Equipment	3,080	Illinois
Bilfinger + Berger	Fru-Con Corp.	Construction Materials and Equipment	3,000	Missouri
Henkel	Henkel Corp.	Chemicals	2,000	Minnesota

Source: German American Chamber of Commerce, New York.

Insurance in U.S.A.

By Henry Schott

Insurance is a complex business in any country but even more so in the United States where insurance companies or underwriters and their policies and operations are principally controlled by the laws, rules and regulations of the individual states, the District of Columbia, Puerto Rico and the possessions, as well as decisions of the particular state courts. However, from a practical point of view, Property, Liability, Life, Accident and Health Policies have generally identical basic conditions, modified according to the requirement of the legal entity where the risk is located. For that reason, the location of a plant or place of business may be important.

Insurers, Agents, Brokers

There are basically two types of insurers, stock insurance or mutual insurance companies, underwriting risks located in the United States — we shall refer to Marine Insurance later. They are either so-called agency companies, dealing with brokers as representatives of the insured, or through independent agents, mostly located outside the large metropolitan area, or direct writers whose employees solicit and service insurance directly with the insured. All companies, brokers and agents must be licensed by the states where they operate. However, there are numerous companies or underwriters, e.g. Lloyds of London and foreign companies who for various reasons are not licensed or admitted in one or more states, but, nevertheless, can legally write through excess line brokers, insurance not available in the admitted market. In addition, there now exists in the states of New York, Illinois and Florida, Insurance Exchanges modeled after Lloyds of London, which can write large and unusual domestic and foreign risks without certain restrictions of the local laws.

This variety of conditions and materials makes it strongly advisable for any firm which intends to do business or, for other reasons, has an insurable hazard in the United States to avail itself of the services of an experienced insurance broker and not to deal directly with insurance carriers. The broker is equipped to develop the adequate policy conditions, to select the proper underwriters, and eventually handle and settle the losses that may occur.

He or she may also be able to attend to the insurance implications involved in the relationship between various related firms and between parent company and subsidiaries. In general, the policy premiums include a loading for the brokerage commissions and the broker may not charge an additional fee, except by written agreement. A fee may be charged if the broker places insurance, because rates or conditions may be more favorable, with a direct writing company or a State Fund which do not pay brokerage commissions. Rebating of commissions or part thereof is not permitted.

Information on competent insurance brokers is principally available from three sources, the regular domestic insurance broker or agent abroad who may have a contact in the United States, a business friend or association who have had experience in this country or the American Chamber of Commerce in the foreign country. Advise may also be obtained from the local consul representing the businessman's country and the American lawyer entrusted with the legal matters involved in starting a business.

Insurance Policies

Insurance policies placed to cover risks in America constitute contracts between the insurance company and the insured(s) and are subject to the laws and rules applicable to contracts in general. Insurances are contracts of adhesion, i.e. where the stronger party drafts the contract and the other party has no or only little choice as to acceptance or rejection; if any provisions are ambiguous they are, therefore, interpreted by the courts in the interest of the insured as consumer. Many states have recently passed laws requiring policies to be written in easily understandable rather then legalistic language. The policies must, therefore, clearly state conditions, exclusions, restrictions and limitations and if, for instance, an exclusion has neither been properly explained nor is readily understandable, the insurance company may not use it to deny liability.

Prior to the issuance of a policy, coverages may be temporarily provided by a binder which is subject to the same conditions as the final policy.

The insured cannot assume that the insurance in this country is as broad or broader than in the foreign country where the insured carries insurance for similar risks. The policy conditions by the U.S.A. are generally to be filed in each state for approval by the supervising authority. Such filings are either made by rating organizations acting for its company members or by individual insurers.

Types of Insurance

The risks for which insurance should or must be carried depend upon the method by which the foreigner decides to do business in America:

1. Exporting merchandise to an importer in the United States by boat or plane only requires insurance for the shipment in transit if the contract of sale obligates the shipper to insure the goods, e.g. if he sells c.i.f. port of arrival, or if the exporter retains the risk until payment is made. This is not the place to analyze the various types of marine insurance, but the best advice to the shipper is to insure against All Risks and if the risk continues after arrival at the port, to ascertain that the policy also covers domestic American transit to and storage in the local warehouse. If the insurance terminates before the package, van or container is opened by the consignee, it is essential that the importer make the necessary arrangements for inspection in order to avoid problems should a concealed damage be discovered at a later date and it is not certain when and where it occurred. Marine Insurance as to conditions and rates is not subject to state supervision.

Whether the shipper has an Open Policy, automatically covering all shipments to America, or places individual risks, the underwriters should be properly represented in America for loss adjustments and arrangements of security in case of a general average.

2. If a foreigner as an individual, a partnership, or a corporation opens an office, or commences a wholesale, retail or manufacturing operation, the business is exposed to the same hazards as any other domestic enterprise and, therefore, requires the same or similar types of property and liability insurance. For the insured's own protection all policies should be placed with a licensed insurance company, which in some cases may be a branch or subsidiary of the insurance carrier

TEN LARGEST AMERICAN STOCK PROPERTY/CASUALTY COMPANIES

NAME	Rank	*Net Premiums Written	Rank	*Total Admitted Assets	Rank	*Policy-holders' Surplus
Allstate Ins. Co.	1	6,089,717	2	10,476,104	1	3,197,752
Aetna Casualty & Surety Co.	2	2,959,855	3	7,605,217	6	1,326,848
State Farm Fire & Casualty	3	2,908,724	5	4,601,252	4	1,668,821
United States F & G Co.	4	1,977,474	8	4,276,503	10	778,423
Travelers Indemnity	5	1,904,024	4	4,917,359	7	1,076,841
St. Paul Fire & Marine	6	1,669,917	10	4,008,800	14	721,605
Fireman's Fund Insurance	7	1,621,796	9	4,084,010	11	777,090
Ins. Co. of N. America	8	1,329,636	15	3,440,872	17	639,212
Home Insurance Co.	9	1,318,603	16	3,440,268	15	696,466
Hartford Fire Insurance Co.	10	995,039	13	3,524,887	5	1,378,647

**Last three 000 omitted.*

SOURCE: Frenkie & Co. Inc., New York, N.Y.

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is part of Hudig-Langeveldt which is an international insurance broker with a large network of offices around the world.

Hudig-Langeveldt operates two German offices in Düsseldorf and Hamburg.

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Hudig-Langeveldt North America has compiled leaflets for its European relations with interest in the U.S. covering the following insurance subjects:

- products liability in the U.S.
- punitive damages in the U.S.
- credit/bad debt insurance in the U.S.
- insurance aspects of mergers and acquisitions in the U.S.

Copies of these leaflets are available by contacting the Atlanta office.

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A specialty broker in today's difficult insurance marketplace can pay off; it may even save you a fortune.

with whom the foreign interest carries its insurance abroad. The advantages of such procedure are explained below.

Over the last decades policy conditions have gradually been broadened so that more commerical and industrial firms may obtain Package Policies which under one contract provide All Risk coverage for property anywhere in the United States and Comprehensive Liability insurance for third party claims for personal injury and damage to physical property arising in the United States or Canada. The policy should also provide for reimbursement of loss of earnings and continuing overhead due to business interruption resulting from an insured occurrence.

If a plant is a so-called highly protected risk (HPR) Fire Insurance, either separately or under a package, may be available at substantially reduced rates with underwriters specializing in such risks. The engineering department of the broker should be consulted on any construction plans before they are finalized in order to avoid designs that may cause unnecessarily high insurance cost.

In spite of the All Risk terminology the policies always contain certain exclusions, restrictions and limitations. For instance, damages due to surface waters and flood, earthquake and volcanic eruption are excluded unless they occur in transit, and insurance must, therefore, be separately arranged.

Flood Insurance on a limited scale for businesses in flood prone communities is only available through the National Flood Insurance Association, a pool of private companies, organized under a Federal Law.

Losses resulting from burglary, theft, holdup, kidnapping and payment of ransom are usually insurable either by inclusion under a package or a separate policy. This also applies to losses caused by damage to or malfunctioning of data processing equipment.

Dishonesty insurance covering losses due to dishonest or fraudulent acts of executives or employees should be part of the insurance program wherever absentee ownership is involved. It is available under various forms of blanket bonds either separately or by endorsement to a package policy.

Limits of Liability

It was previously emphasized that Americans are rather litigious and, therefore, the scope and limits of liability insurance are of utmost importance. The insurance company generally is obligated to defend the insured against any third party claim based on an occurrence covered under the policy & pay the cost of litigation and any judgment or settlement within the policy limits. Coverage is not unlimited as it may be abroad, and as property values and awards by juries in accident cases constantly increase — million dollar verdicts are no longer unusual — high limits of liability should be carried either under the basic, Excess or broader so-called Umbrella Liability policies. How high the limits should be is difficult to determine, the danger of a product to the public and the financial condition of the insured and its parent must be considered.

Occurrences covered are bodily injury and property damage due to the occupancy of the business premises or manufacturing operations, and personal injuries such as libel and slander, defamation of character and false arrest. Just as in other countries, products liability claims for injuries or disease arising out of the use or consumption of the insured's products, have multiplied and resulted in serious problems of availability and cost of the insurance, particularly since the development of strict liability. The greater the risk of a product for the ultimate consumer, the more important are advance negotiations for this coverage with various insurance carriers. If the American firm is an importer of a foreign product or a manufacturer using foreign designs and parts, the American insurer after payment of a products liability claim may decide to take subrogation against the foreign supplier or parent company. This may often be avoided if the American insurance is carried with a branch or subsidiary of the insurer of the supplier or parent company of the insured or if the American insurer is prepared to waive subrogation.

Federal and state laws for the protection of the environment may require careful attention to the possible liability for pollution of land, air or water, and insurance may be required not only for sudden, unexpected events, but for gradual pollution as well.

Whereas officers, directors and stockholders of corporations are automatically covered under the firm's policy for liability for personal injury and property damage caused in the performance of their duties, separate policies must be arranged to insure officers and directors for other wrongful acts causing financial loss to the corporation or stockholders. These are Directors' and Officers' Liability policies which have become important for public as well as nonpublic corporations.

Discrimination on account of color, race, religion, national origin or sex is illegal and if committed intentionally may result in a liability claim for monetary damages. Coverage for this risk is usually excluded from liability policies either because it is forbidden by statute or considered to be a violation of public policy. It may nevertheless be available for defense and vicarious liability.

There is no uniformity in court decisions as to whether liability policies automatically cover punitive damages, and whether or not such insurance would be in violation of public policy. Regardless, insureds should try to avoid specific punitive damage exclusions in liability policies and irrespective of policy conditions always report claims to the insurance company.

Automobile Insurance

Although this insurance is subject to the jurisdiction of the individual states, the principal policy conditions are standard. Liability coverage is compulsory in certain states but the prescribed minimum limits are low considering the high jury verdicts in auto accident cases. Anyone or any firm using an automobile, whether a passenger or commercial vehicle, must, therefore, arrange for Auto Liability Insurance with high limits and should also carry comprehensive physical damage coverage for the vehicle itself. Due to the large number of uninsured or underinsured motorists, auto policies must be extended for limits to be agreed upon, to protect the insured and passengers in case of injuries caused by such driver. In most states policies now also provide so-called no-fault insurance to reimburse the insured and others for medical and similar expenses and loss of earnings irrespective of liability.

Rental Car

If a vehicle is rented on business, the rental agency has usually arranged for liability and physical damage insurance on the rented car subject to a sizeable deductible amount in case of collision damage. However, as the carrier, conditions and limits of liability of the policy are mostly unknown, the renter is well advised also to carry his own insurance under a Personal or an endorsement to a Business Auto Policy. Rental agreements contain various restrictions, for instance with regard to drivers permitted to drive the car, which should be read carefully as violation may have unpleasant financial consequences for the renter.

Workers' Compensation Insurance

All states have enacted statutes requiring employers to insure their employees for medical and hospital expenses and loss of earnings resulting from accidents or diseases arising out of and in the course of employment. There are, however, differences in the minimum number of employees subjecting an employer to the law, maximum payrolls on which the premium is to be based, classifications of employees according to their work and the rates applicable thereto.

In six states the insurance must be placed with a monopolistic State Fund, administered by the particular state insurance authority, in some others, like New York, the employer may arrange the insurance either with the State Fund or any licensed insurance company which in the majority of states is the only carrier of Workers' Compensation Insurance.

In New York, New Jersey and several other states, the law also requires employers to provide Disability Insurance for non-occupational accidents and diseases.

Benefits and their duration vary by state. Basic rates are state controlled but larger employers are experience rated and may have the advantage of different kinds of retrospective rating plans which they may select depending upon their own anticipated losses.

Employees entitled to Workers' Compensation may not file a third party action against their employer nor, in most states, against fellow em-

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MERCEDES-BENZ

Wet road, hard braking–and within the one-second sequence dramatized above, the Mercedes-Benz Anti-lock Braking System acts to electronically

For 1985, Mercedes-Benz introduces something more important than a new model.

THE MERCEDES-BENZ sedan speeds straight toward a patch of test track slicked down with a diabolical mixture of soapsuds and water.

A splash as the tires meet wet pavement–and then the driver slams on the brakes.

But what seems bound to happen in the next heart-stopping instant, doesn't happen. Violent braking action on that treacherous surface sets off no violent counterreaction.

That Mercedes-Benz sedan simply snubs down to a quick, straight-line stop. Soapsuds and water and all.

THE MERCEDES-BENZ ANTI-LOCK BRAKING SYSTEM COMES TO AMERICA

That Mercedes-Benz sedan has just demonstrated the most emotionally reassuring advance in passenger car braking control since the disc brake.

It is the Mercedes-Benz Anti-lock Braking System or ABS. And having pioneered both its early development and its subsequent use in production automobiles, Mercedes-Benz now proudly introduces this significant engineering feature to America. It is being fitted as standard equipment to every 1985 Mercedes-Benz 500SEC Coupe, 500SEL Sedan, 380SL Coupe/Roadster, 380SE Sedan and 300SD Turbodiesel Sedan, and as an extra-cost option to the 190E 2.3 and 190D 2.2 Sedans.

Functioning in concert with the car's four-wheel disc brakes, the Mercedes-Benz Anti-lock Braking System is meant to first sense the impending lockup of one or more of the car's wheels in a sudden braking emergency –then to act, with lightning speed, to avert it.

The benefits are clear. By minimizing the risk of the car's wheels locking up in hard braking, the system can also minimize the potential consequences: the sudden loss of tire adhesion that could turn a steerable vehicle into a sliding object no longer under the driver's full control.

More reassuring still, the system is designed for braking emergencies on slippery-wet roads as on dry roads–indeed, to maintain optimum braking performance almost regardless of road surface conditions.

SENSING TROUBLE BEFORE IT BECOMES TROUBLE

The decision-making "brain" of the Mercedes-Benz Anti-lock Braking System is an on-board computer. Electronic sensors, placed at both front wheels and at the drive pinion of the rear axle, are the system's vital nerve ends.

In a moving car under normal driving conditions, those sensors are constantly signaling the rotational speed of the wheels to the computer. Registering a millisecond-by-millisecond electronic bulletin on the precise state of adhesion between the car's tires and the road surface.

Then comes that sudden emergency. The driver reacts to danger ahead by reflexively hitting the brake pedal hard; hard enough, in a conventional braking system, to risk locking up one or more of the car's wheels.

But those electronic sensors

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1985

modulate braking action as often as 10 [illegible] times. Preventing wheel lockup—and keeping the car precisely steerable throughout.

have already detected the onset of wheel slip and alerted the computer. And the computer starts regulating fluid pressure in the brake lines. Modulating and cadencing brake pressure, via solenoid valves in the brake lines, as often as *ten times* per second. Countering lockup of all four wheels or any individual wheel.

And thereby allowing the car to be swiftly and smoothly decelerated. Allowing the car to be precisely steered and maneuvered *as* it decelerates. Helping the driver to avoid a collision, or simply to stay on the road.

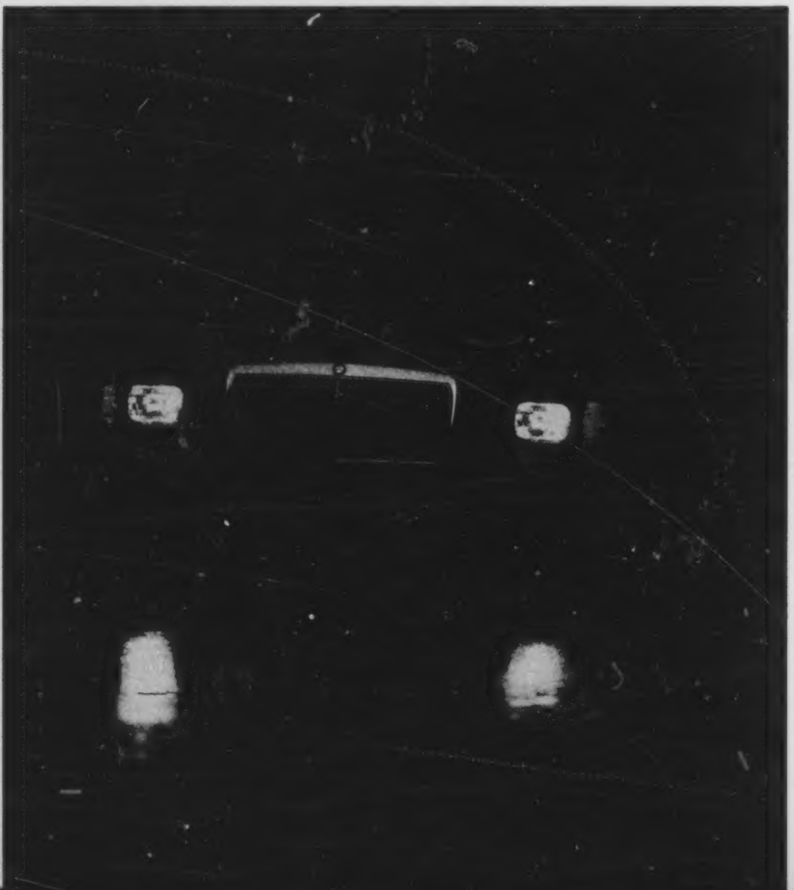
6,000,000,000 MILES

Mercedes-Benz began development work on the principle of the anti-lock braking system as far back as 1959, first fitted a working system to a production automobile in 1978, and has since seen 250,000 of its cars roll up over *six billion miles* of experience with the system worldwide.

Once again following where Mercedes-Benz has shown the way, some domestic and foreign makers will shortly introduce similar anti-lock braking systems to America. They can emulate the idea. They cannot emulate this depth of experience.

The entire system is designed to be electronically self-checking, constantly monitoring itself and primed to shut down instantly should a malfunction ever be indicated. The car's separate four-wheel disc brake system would, of course, remain fully operational.

In terms of enhancing control of the car in a braking emergency, the Mercedes-Benz Anti-lock Braking System may be the best ally a driver has ever had. In terms of automotive leadership, this major advance underscores the truth of the motto below: for 1985, as for the past 99 years, the automobiles of Mercedes-Benz are indeed engineered like no other cars in the world.



Engineered like no other car in the world

SEE YOUR AUTHORIZED MERCEDES-BENZ DEALER ployees. If, however, in an exceptional case the law does not apply, a Workers' Compensation Policy also protects the employer against liability claims except in monopolistic states.

Endorsements broadening the policy territory are available.

Group Insurance

In addition to legally required social insurances for the benefit of employees, voluntary health, accident and sickness insurances as well as pension plans have become practice in the United States. The conditions vary widely as to the minimum number of employees constituting a group, the minimum period of employment required for entering the group, the scope of coverage, the benefits provided, whether for employees only or also their families and other facets. Strict legal rules forbid discrimination. Whereas policies may only be written by licensed companies, pension plans can also be developed and serviced by actuarial firms or by the employer's firm itself with the advice of actuaries. The income tax aspects of these plans are of considerable importance.

Cost of Insurance

We already mentioned some steps to be taken to reduce the cost of certain insurances.

Marine Insurance rates are subject to competition internationally. A broker experienced in this type of insurance will negotiate the most favorable rates with insurers in the U.S.A. or abroad.

In recent years states have permitted individual insurance companies to file their own rates so that most types of domestic policies may now be written at different premiums depending upon such filings.

A rather simple means of reducing cost is the acceptance of substantial deductible amounts, to be carried by the insured in case of loss. The amounts depend upon the type of insurance, the financial condition of the insured and the saving to be attained.

Large insureds have organized insurance subsidiaries, called captives, either in certain states or in tax havens in the Caribbean. The purpose is saving in premiums by being able to deduct them from the income tax of the insured's parent company. The tax authorities, however, have recently severely restricted this possibility.

Similarly insureds with high premiums payable under specific policies may consider selfinsuring the risk wherever legally possible and buying excess insurance over the maximum limit they are prepared to carry themselves. Unlike premiums paid to insurance companies, reserves established by insureds for future losses cannot be deducted from the taxable income under Federal and State laws. Expert advice on all the implications of selfinsurance is necessary for any firm considering it.

Foreign Principals

Before concluding this chapter, two warnings are appropriate: A foreign principal entering into a business venture in the U.S.A. may be under the wrong impression that certain risks in this country are covered under policies carried in the home country, particularly liability insurance. Unless, however, the domestic policy is either a worldwide contract or specifically extended to cover in the U.S.A. it may not be applicable. This refers especially to products liability, even if the product is not manufactured in but exported to the U.S.A. But if a foreign policy covers abroad, the company may have neither the experience nor adequate local representation to handle claims in foreign countries with different legal systems and practices. Separate policies for such exposures are, therefore, advisable.

In conjunction with Products Liability, we already mentioned the danger of a subrogation claim against a foreign parent company supplier. Whether an American insurer, after payment of a property or injury claim, will sue in a foreign country for reimbursement depends upon the chances of collecting in that country, the expenses involved and the financial status of the principal, but it is always a possibility to be counted with.

Conclusion

The discussion of insurance has been in general terms. It is based on the prevailing conditions. However, rating organizations and individual companies constantly devise new policy forms and conditions and the state legislatures and supervision authorities promulgate new laws, rules and regulations. The status at the time the new venture is prepared must, therefore, be carefully investigated.

About the Author

Henry Salfeld has been connected with Frenkel & Co., Inc., National and International insurance brokers, for over 40 years and after retiring as Senior Vice President is now a consultant to the firm. He has written many articles on insurance problems, particularly Property and Casualty insurance, in insurance trade journals and professional legal magazines. He has also lectured widely before insured and legal organizations. He was a member of the faculty of The College of Insurance and is now the representative of The Insurance Brokers Association of the State of New York with the official Insurance Rating Organization. Mr. Salfeld holds a Doctor Of Law degree of the University of Frankfurt, Germany.

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INSURANCE IN THE FEDERAL REPUBLIC OF GERMANY

By Bruce Trigg

With the continuous flow of investment from the U.S. to West Germany, many of the readers of this magazine may find it useful to acquaint themselves with some key information regarding the West German insurance market. The following article is a brief but detailed description of the relevant facts for a first introduction. Further information can be obtained from international insurance brokers with a representation in Germany.

The German Insurance Market fundamentally offers all standard lines of insurance, i.e. property, casualty, life and sickness policies.

The Insurance Market

The premium volume of the German market, both non-life and life was estimated to be ca. DM 101 billion (ca. US$ 32 billion for 1984). Of this total sum for example 40% are accounted for by life insurance, around 30% personal liability, accident and motor and 13% property insurance.

Based on most recent statistics, the Federal Republic of Germany is the third-largest insurance market for life and non-life premiums behind the U.S.A. and Japan with a ca. 8% share of worldwide premiums estimated to be in the region of US$ 418 billion in 1983.

Insurance Law and Regulation

A supervisory board of insurance exists in Germany governed by the Ministry of Finance and Ministry of Justice and is involved in the control of insurance companies including audits with regard to solvency as well as granting licenses to companies wanting to do business in Germany. With regard to laws on insurance contracts this is governed by the Contract Law of Insurance (VVE). The purpose of this law is to safeguard policy holders, beneficiaries and third parties interests.

Compulsory Insurance

The following are the major compulsory lines of insurance in Germany: automobile liability, liability involved in the manufacture and sales of pharmaceuticals, aircraft liability, and liability towards passengers in aircraft.

A social security system is provided by the government. (Workmen's Comp., sickness, unemployment, and pension.) In certain geographical areas of Germany, there is also a compulsory insurance required for buildings and in some specific cases for immovable equipment.

Non-admitted Insurance and E.E.C. Directive

Companies not licensed by the supervisory board to do business in Germany are prohibited from conducting insurance activities in the territory of Germany.

Any German insured may, however, approach an insurance company outside Germany to conclude an insurance policy with such a company, but in this event the insurance company is still not allowed to service the insured.

If a policy is concluded under due observation of the above mentioned regulations, premium funds can be transferred to the insurer outside Germany and the insured may obtain claim settlements from the insurer. In principle the E.E.C. directive for freedom of services, but as can be noted above, the insurance on a correspondence basis only applies to a limited degree.

Insurance Companies and Insurance Brokers

There are basically three types of insurance companies acting in the German market, joint stock companies, mutual companies and public legal companies. In addition to this come the branch offices of international insurers such as the CIGNA and AIU.

Most joint stock companies and some public legal companies involved in the private insurance market operate through exclusive agents who only handle business for a respective company. A great deal of industrial business is however handled by independent agents and insurance brokers whose activities are comparable to other counterparts in Europe.

The Insurance Contract

The official language for policies is German. Long-term policies are not unusual in all lines. In view of signs of the previously soft property market hardening, some insureds have taken advantage of this to conclude three or five year contracts for fire and business interruption.

Premiums are always paid annually. Normally there is a three months notice of cancellation required prior to which notice must be given by either party if the policy is to discontinue as of expiry date. Otherwise it is automatically renewed for another twelve months period. Notice of cancellation can be given mid-term in the event of a claim by either party within a specific period which is stipulated in the printed conditions (usually a month). It is not possible to cancel a long-term policy except in the case of a claim.

All lines of insurance which insurance companies offer are based on printed conditions (Allgemeine Bedingungen) which are normally extended by special conditions.

There is an insurance tax in Germany which amounts to 5% of the premium. The insurance tax is collected by the insurance company and transferred to the tax authorities. This does not apply to life insurance.

German Insurance Groups Ranked by Premiums

1. Allianz Group
2. Colonia
3. Gerling-Konzern
4. RV Allgemeine
5. Huk-Coburg
6. Gothaer Versicherungs-Bank
7. HDI Haftpflichtverband
8. Provinzial Rheinprovinz
9. Victoria Feuer
10. Wuerttembergische Feuer

Property Insurance/Fire

The scope of the standard German fire policy includes the perils of fire, lightning, explosion (including boiler explosion) and falling aircraft or parts thereof. The term fire includes "loss or damage by fire following any cause except fire following civil commotion, nuclear damage, war and earthquakes." Extended Coverage perils are readily available in the market in a somewhat limited form and include the perils of storm, hail, vandalism and malicious mischief, riot, strike and civil commotion, smoke, vehicle impact, sonic boom, pipe water damage and sprinkler leakage.

All risk cover is scarcely available.

The basis of compensation for real and personal property is generally replacement value as of the date of the claim; although it is possible to insure on an actual cash value basis.

Insurance is always made on a full value basis and use of a coinsurance clause common in the United States is not practiced.

Stock can be insured either at cost price or selling price and can either be on a fixed or reporting form basis.

Deductibles are available and although the credits can be negotiated they are generally less attractive than in the United States so that the use of a deductible is limited.

Cost items such as the removal of debris, demolition and fire extinguishing costs can be included on a first loss basis in the policy.

It is possible to make provision for capital investment and/or inflation whereby an amount is included as a separate item in the policy in respect of planned investments and/or inflation.

Reduced rates for highly protected risks are available from a few insurance companies, most of which are subsidiaries of American companies like Factory Mutual. With regard to sprinkler protection in general according to German standards issued by the Association of German Property Insurance, a maximum rebate of up to 85% of the basic premium can be achieved.

Rating is officially governed by a tariff, laid down by a tariff committee, but this is only a general guideline with regard to normal industrial risks and is negotiable with the individual markets.

Loss of Profit Insurance

The German business interruption wording is comparable to the British loss of profit form and does not correspond with the standard gross earnings form common in the United States. The extent of cover is limited by an indemnity period which is in most cases twelve months. Payroll can be insured for a shorter period of indemnity. The same comments apply to the perils, policy wordings and tariff as for fire insurance.

Extra expense insurance is available and can be obtained from most insurance markets.

The gross earnings form commonly used in the United States is not an admitted form and has not been approved by the German supervisory authorities so that insurers would not usually issue this policy form.

Boiler and Machinery Insurance

Machinery breakdown cover is the form commonly used in Germany in respect of the boiler and machinery exposure. The boiler aspect is of less significance in Germany as the explosion risk is covered under the standard fire contract.

The inspection service is compulsory and provided by state authorities.

Liability Insurance

Comprehensive General Liability (CGL) policies provide insurance for all legal liability regarding bodily injury and property damage which the insured causes to third parties. The standard policy covers exposure in Germany on an occurrence basis and includes amongst others premises and operations exposure, products liability, and employers' liability in form of recourse action taken by state authorities.

The standard products liability cover is in respect of legal liability for loss or damage caused by the product. This includes accidents occurring away from the insureds' premises. However, claims arising out of the breach of expressed and implied warranties are not included. Broad contractual cover is not available.

Special products liability conditions can be agreed whereby a wide scope of coverage for loss or damage caused by products can be bought including claims resulting from breach of warranties, specific expenses which are considered pure financial losses (Vermögensschäden) and areas of recall.

Non-owned automobile liability (contingent motor) has not been a problem of more than theoretical importance in Germany compared to the United States. Nevertheless, the auto-

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mobile liability insurance is generally extended to include the employers' liability in the motor policy of the employee as far as the latter is using his car for business purposes.

Water contamination liability is a strict liability under German law and as a consequence insurers offer specific wordings covering loss or damage including some loss prevention costs due to the escape or discharge of the contaminating liquids.

Automobile Insurance

The minimum limits of liability are DM 1 million for bodily injury and DM 400,000 for property damage although these limits are seldom covered. Most corporations and individuals carry a liability limit of DM 2 million combined bodily injury and property damage. The German tariff also offers unlimited coverage (maximum of DM 7.5 million per person) for minimal additional cost.

Rates are strictly controlled and the individual insurance companies issue their own tariffs which have to be approved by the Ministry of Finance. Generally fleet rating is not available. A discount of only 3% is granted if more than 30 vehicles are insured. Fire and theft coverage is available for reasonable premiums which are not subject to a strict tariff. Comprehensive collision coverage with varying deductibles can be purchased but premiums are considerably more expensive.

Crime Insurance

Burglary and Robbery Insurance is common although due to bad loss experience, rates are continuously on the increase. The cover is either written on a full value basis or in the form of reduced coinsurance. Crime or 30 policies which are common in the United States would be an exception. However, fidelity insurance in respect of employee dishonesty or computer misuse can be concluded whereby the limits apply on a per person and in aggregate basis.

Marine Insurance

Marine Cargo cover, both for inland and ocean cargo transit, are generally combined in one marine policy. The German market offers all kinds of internationally renowned forms of cover from FPA to all risks which are at least the equivalent of Institute Cargo cover. There is no tariff concerning rates for marine insurance.

Employee Benefit

The German Social Security benefits have a relatively high level. Nevertheless these are generally supplemented by employee benefit provisions taken out by the company. The benefit schemes are created differently and are structured as systems which are dependent on salary and/or length of service.

Life Insurances are integrated in different ways in the funding methods of employee benefit schemes. Lump sum and annuity insurances are popular; whereby the premium therefore is limited to DM 2,400 or DM 2,712 respectively due to tax reasons. Such direct insurances offer small and medium-sized companies a cost attractive means of funding at the same time creating financial obligations which can easily be calculated for the company.

Approximately 80% of all employee benefit schemes are organized either as a pension promise of the company showing its obligation by the amount of book reserves in the balance sheet; or by a support fund as an independent benefit carrier. Term life insurances for death and disability or life insurances forming pension reserves are taken out additionally.

Germany is a tariff country, where life insurers compete with one another predominantely by means of the profit sharing and the quality of their administration.

Attractive premiums can be agreed for groups under certain circumstances. Often one finds that the tariff rate for single contracts has been applied with only a 3% rebate.

Conclusion

The comments with regard to insurance forms and cover are of course of a general nature. International companies establishing a new company or with a subsidiary in Germany can operate an international insurance program with local policies to ensure similar cover to that in the United States.

Without any doubt, this article can only show you how different from the U.S. insurance practices the German insurance market is.

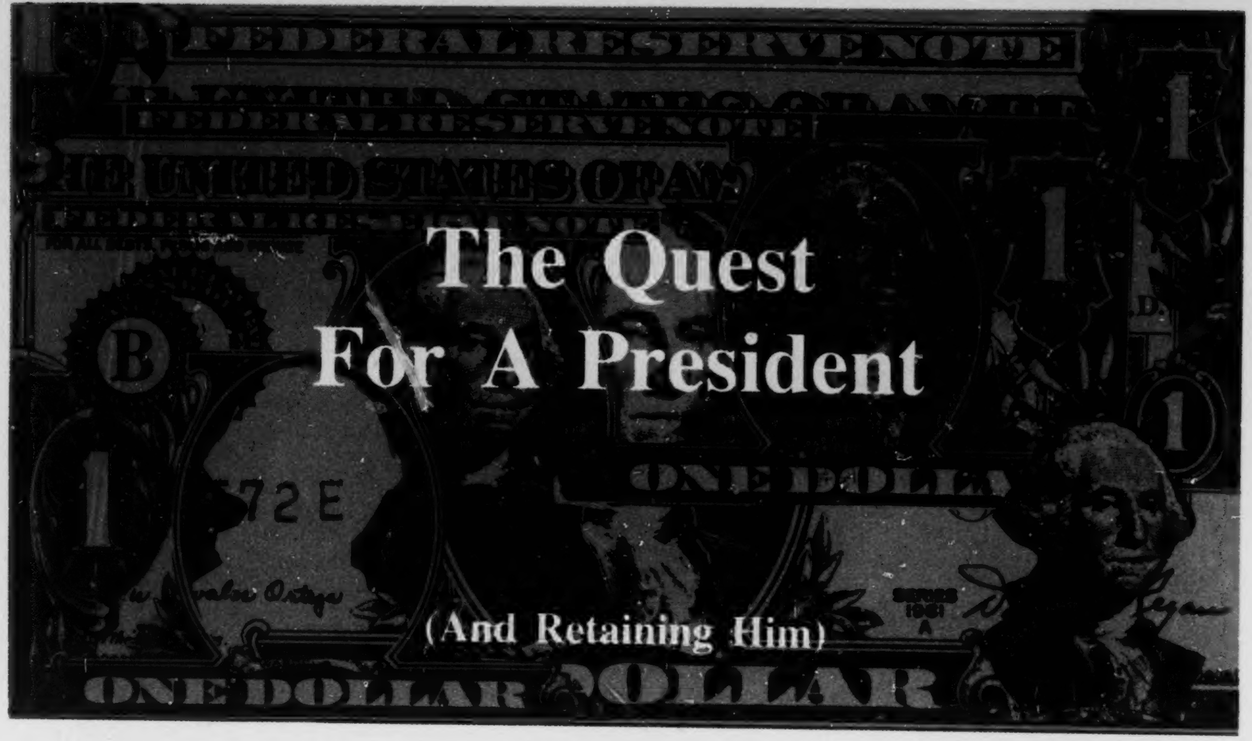
You may have realized that workers' compensation insurance has not been mentioned. This is due to the fact that this type of insurance is not part of the free insurance market. Workers' compensation is insured by semi-official industrial associations, the "Berufsgenossenschaften", and represents a whole field on its own. Again, it would be your insurance broker — if it is a truly international organization — or the Chamber of Commerce that might be able to brief you on this particularity of the German social security system.

You may also have found that insurance brokers are known to the general public to a lesser degree than they are in the U.S. The multinational financial and manufacturing industry, however, is being serviced to a large degree by insurance brokers.

For the U.S. industry with subsidiaries in Germany, the selection of an international insurance broker is one of a sequence of steps to achieve protection for the investment abroad that is equal to the standards set for the parent company. ■

About the Author:

Bruce Trigg, is a specialist for international insurance at Jauch + Huebener, the leading German insurance broker. In the U.S., Jauch + Huebener is represented by Alexander Witte in the office of Johnson & Higgins, New York City.



The Quest For A President

(And Retaining Him)

By Kurt Fischer

Hiring a president for the U.S. subsidiary is an important decision facing European companies. Questions often asked are: of which nationality should the president be, what qualifications must he possess, how can he be found, what salaries and benefits should he be paid? A question often *not* asked is: how can the president be retained for many years? The article will have answers that might be surprising.

What Nationality?

Traditionally, this question is argued about at length. Wrongly so, in the opinion of the author. It is not so much the nationality that counts, but the qualifications of the individual. Also a company will meet fewer qualified candidates if they limit their choice to just one nationality.

What about an American national as president then? Fine, but . . . Why would a *successful* American manager want to leave his present job in order to join a foreign owned company? Most probably he never heard of the company nor has he ever seen its products. Why then change? Because this individual may not be happy in his present job, may have no job, or be a second line manager with little experience for a top job. If such an individual is interviewed, questions concerning his motivation and qualifications must be raised.

Yet, there is another group of individuals that will apply. Namely those individuals who are out to make a lot of money, as European companies in the U.S. are known to pay higher salaries, up to 25% more than those paid by comparable established U.S. companies. They have to do it in order to overcome the resistance on the part of American managers to join an unknown, foreign owned company. But do you want to burden your company with an inflated salary structure right from the start? Surely not if it can be avoided.

Let us now look at selecting a German (Swiss) national as president. Does the parent company, which usually is small or medium-sized, have in its own ranks an individual who has U.S. experience and who could qualify for the job? In most instances probably not. But even if they had one, would this individual accept the job? Again, probably not, as he most likely has children who would have to change schools and as the individual will wonder what happens when he returns home after a few years. Will he advance in his career, or will his colleagues have advanced their career at his expense? The difficulties facing managers returning from overseas assignments are well known and frighten many individuals who otherwise would accept such assignments.

Where does this leave the parent company in its search? They now know that they have no one in their own ranks, and they are hesitant to hire an American manager because of his doubtful motivation or because of the high cost. Fortunately, there is one more source of personnel that can be tapped, namely the "international managers". These are Europeans or Americans that have lived and worked in the U.S. or Europe respectively, and thus intimately know how to run a business in a foreign country. Among the Europeans in America, many of whom have become American citizens, there might well be a professional who could fill the president position. Therefore the best bet for a foreign country to find a president for its subsidiary is to start looking at these individuals. What is the next step then?

What Attributes?

The classical approach in deciding what qualifications are to be sought generally results in allowing one required area of expertise or qualification (specific industry knowledge or marketing background for example) overshadow the others. This approach has many inherent pitfalls. A subsidiary is a separate company by definition. Since it is operating in a foreign country, it must possess even more of the characteristics of a separate entity. The start-up of a subsidiary is even more complex and demanding. Thus, without a good degree of general business experience or aptitude, a marketing expert, a financial genius or a manufacturing wizzard can cost the company large sums of money in needless professional fees for services he is not familiar with or even worse, he may start the subsidiary on the wrong course.

It is understood that there is a desired experience requirement depending on the nature of the operation, but in determining the profile of the president to be recruited it is imperative that this person be capable of acting as "the president," based upon a broad general management background acquired in the *American* market place. In short, industry experience is desirable, general management experience is essential.

How To Find A President

Recent studies show that most companies, both domestic and European, use traditional ways to find candidates and select a president. That is, the persons responsible for the hiring first search among existing personal contacts, then they either run newspaper advertisements or engage a recruiting consultant (head hunter). If they do the search on their own, they usually conduct relatively short interviews with potential candidates, check out their references and put a lot of emphasis on finding someone from within the same industry. A head hunter, on the other hand, will do basically the same for his client. Interviews and reference checking are, of course, necessary and a part of the screening process, but they are not the best means to select and assess the right individual. And this may well be a major pitfall of using headhunters: they obviously want to "sell" first those candidates they have "in their files" and they usually get paid only if their candidate is hired. The process itself bears the risk that the choice might fall on somebody who gets the job by good salesmanship on his or the recruiter's part, and not on that person who has the best qualification for the job, simply because the *selection and assessment process* was insufficient.

The author is affiliated with a group, which has developed a new selection process which has been used successfully many times. Here is a short description of it.

Potential candidates are found by placing advertisements in major newspapers. The ads describe the profile required with respect to *personal characteristics, skills and knowledge*. A job description, which is developed together with the company in search for a president, is the basis for these requirements.

Remuneration by Company Size

Remuneration by Industry

	Chief Executive Officer		Chief Operating Office	
Industry	**Total**	**Base**	**Total**	**Base**
Mfg. — durable	$88,000	$71,000	$58,000	$49,000
Mfg. — nondurable	83,000	67,000	52,000	44,000
Financial	61,000	54,000	46,000	41,000
Construction	68,000	52,000	51,000	41,000
Wholesale/Retail	68,000	55,000	46,000	40,000
Service/business	73,000	61,000	53,000	46,000
Service/professional	69,300	60,000	55,000	50,000

Remuneration by Region

	Chief Executive Officer		Chief Operating Officer	
Region	**Total**	**Base**	**Total**	**Base**
Northeast	$81,000	$66,000	$50,000	$46,000
Southeast	72,000	59,000	51,000	45,000
Far West	73,000	62,000	51,000	45,000
Southwest	70,000	57,000	61,000	51,000
Mid-West	71,000	57,000	52,000	44,000
National Average	72,000	59,000	53,000	46,000

From among the individuals responding, 10 to 20 candidates are invited to attend a recruiting and assessment meeting at the same time. In this meeting they "compete" against each other, and they do receive profound information about the foreign country, including its products, marketing, organizational structure, ideas about their U.S. business plans, etc. (The competing part is arranged in a non-threatening way.) It requires a special knowledge and qualified, trained assessors to use the whole process properly. The candidates are assessed by several assessors who are high caliber executives from the recruiting group *and* from the customer's company. The meeting is task-oriented: every phase of the meeting allows the candidates to present certain personal characteristics, knowledge or skills exactly related to the job they are being interviewed for. The two final candidates are invited to Europe for an interview with the local management. Only then will the final decision be made.

To an outsider, the selection process might look like it would create frustration in the candidates, the opposite is the case in reality. In fact, all the candidates, many of whom are in very high caliber president or vice president positions for large multinational companies, have commented this procedure to be unusually effective and successful for both the candidate and the employer.

The total process assures that the individual selected will be suitable for the job with an approximate 90% security factor. As the investment for this search and selection process is lower than the usual recruiter's fee, it usually pays off many times in a very short period, just by avoiding unnecessary expenses or even drastic mismanagement errors by unqualified top management.

What To Pay?

Salary information for a president of a U.S.-subsidiary is difficult to obtain.

However, a recent survey by INC. Magazine* of "young" privately held companies in the United States provides very interesting and useful data concerning the chief executive officer (generally the owner) and chief operating officer (general manager) which could serve as a guideline in establishing the remuneration of the president. It should be noted that the following information constitutes averages and is based on 1983 remuneration and requires modification upwards to take into account increases in 1984 and 1985.

If a president's salary were to be established by these guidelines, it is suggested to position him between the chief executive officer and the chief operating officer, thus the two columns constitute a range.

An Example:

In 1985 (+10%) a foreign company (+25%), in the durable manufacturing industry, to be located in the North East and expecting sales of approximately $2 million should use, as reference, figures between $80,000 and $120,000 total compensation for its president. Recent executive search assignments conducted by the author's firm do support these data.

Fringe benefits and bonuses represent the major difference between "total" and "base" remuneration in the tables.

Fringe benefits consist mainly of health and life insurance and a company car. Almost all companies surveyed have some form of an employer paid health insurance scheme. In addition, over three quarters of the companies have a group life insurance plan for the top executives. A company car is provided in approximately three quarters of the companies for the two top executives. This is a very important fringe and is as much "required" as health and life insurance. It should be noted that in 1985, a change in the tax law has made the company car fringe less attractive tax-wise to corporations but still just as attractive to the executive.

Other fringe benefits exist but in no way are as widespread and more-or-less "required" as life and health insurance and a car. It is interesting to note that pension schemes exist in less than 20% of the companies surveyed.

The bonus is the other main ingredient of the total remuneration package. It is used very often and although the statistics arising from the survey could not reflect it, almost every company had some sort of bonus plan. Whether it was paid or not was a different story. It can be seen clearly, however, that the bonus as a motivational element is used commonly and its presence in the total compensation package is almost a requirement.

Other fringes such as equity participation and profit sharing are not very popular in young privately held companies for varied reasons including administrative consideration, accountability, cash requirements and inherent complexity. This would be even more applicable to subsidiary companies of multinational groups. However, more and more executives have started asking for equity participation. This trend is expected to continue.

The remuneration data presented in this section should serve only as a basis for comparison. The remuneration of the president of a U.S. subsidiary should be modified based upon the candidate's experience, salary history and a vast array of other factors on a case by case basis. Further, it must be fully understood that these salaries and remuneration packages are not necessarily what it will take to hire someone away from another company.

How To Retain The President

This article would not be complete if it did not address the problem that many foreign companies have retaining the same president for an extended period of time. The turnover rate among presidents is alarmingly high. There are numerous U.S. subsidiaries that have had 3 or more presidents within a short time period. Following are some reasons that have led to separations:

- The parent company rushed to hire a president, they selected one not qualified for the job.
- The parent company's plans for the subsidiary were overambitious, the president could not achieve his goals and left.
- A personality conflict developed between the president and the German entrepreneur.
- The subsidiary had to relocate, the president did not want to move to the new location.
- The start-up (or turnaround) situation was completed and the president looked for a new challenge or was replaced by a new president with different talents.
- The president was lured away by the competition or returned to his home country.

Although never stated so bluntly, one of the reasons heard most frequently is the existence of conflicts be-

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* Summarized from September 1984 issue of INC. Magazine with permission from INC. Publishing Corporation.

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tween the president and the parent company. Let us therefore investigate this issue in more detail. The president of a foreign subsidiary has a dual-status. On one hand he heads the subsidiary, on the other hand he is the man through whom the directives of the parent company are executed. Very frequently he will be "sitting between two chairs," not able to please anybody. It is worth remembering that people, markets and methods are not the same in the U.S. and Europe. Many times this is forgotten by the European company or entrepreneur. Numerous are the cases in which a European company — against the advice of the subsidiary — tried the same marketing techniques in the U.S. that proved so successful in their home country, only to see them fail completely in the U.S. The successful European entrepreneur, especially the German one, has a very definite mind of his own and it is often impossible to convince him that his methods will not work in the U.S. However, if success does not materialize, it is mostly the president who has to carry the blame. Therefore, it is so important that a mutual basis of trust and respect be established between the president and the parent company BEFORE the activities begin in the US. Ideally, the future president should spend at least 6 months to 1 year with the parent company, he should get actively involved with the planning of the new venture, and he should travel and work with the key people of the parent company in order to get to know each other. As this is often not more possible, the more carefully one must prepare the president's job description, spelling out in *detail* his duties and his responsibilities. In addition, goals and objectives must be defined and agreed upon by both parties, with a clear understanding and timetable on how and when they will be reviewed. The parent company must further understand that the president then expects to be able to work *independently* within this set of guidelines.

German companies frequently mention the need to keep in control as the main reason for the many "visitors from the head office." Nobody will dispute this prerogative if control is exercised within the framework of goals, budgets and reviews just described, but the "visits" will be viewed as interference if they repeatedly occur outside this framework and eventually will be the reason that the president leaves.

What then are the ingredients for a lasting relationship? In order of priority they are:

(a) Selection of a qualified candidate who should be offered performance incentives.
(b) Careful planning of the new venture, do not operate under unrealistic expectations.
(c) Trusting the president, let him operate independently within a predetermined control system: he knows best the American scene.
(d) Do not expect a profit right away, it often takes 3 or more years to become profitable. ■

About The Author:
Knut R. Fischer is a principal of THE CROSS ATLANTIC GROUP, an international management consulting firm with offices in Boston, New York and Germany.

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The Decline of the Unitary Tax

Ruurd G. Leegstra

Wolfgang P. Krause

**by Wolfgang P. Krause
and
Ruurd G. Leegstra**

The unitary tax controversy concerns how U.S. states compute the taxable income of multinational companies. The unitary approacch measures the income earned in a state by allocating to it a portion of the worldwide income of the multinational group of corporations. The other basic way to determine the income a multinational earns within a state is by "separate accounting", which treats each corporation as a separate entity. As discussed below, multinational companies tend to prefer the separate accounting approach.

At stake are huge amounts of money, information the multinationals deem private and/or difficult and expensive to gather, and perceived inroads on national sovereignty by countries that are the U.S.'s friends, allies, and trading partners.

U.S. and foreign-based multinationals generally both deplore the unitary tax, but to some extent are pursuing solutions separately because some of the remedies proposed have drastically different effects on the two groups. This lack of unity of purpose is very evident in the current lobbying for changes in the California unitary tax. Any of the various "water's edge" solutions will solve the two basic objections of the foreign multinationals (exclusion of both non-U.S. income and non-U.S. information), but most of the "water's edge" solutions will be of no help or even be harmful to U.S. multinationals because typically at least a portion of offshore dividends will be included in the computation but foreign allocations factors will be excluded.

At its zenith, at least 24 states were using some form of unitary tax and about half of these were applying it to multinational groups worldwide income. In the past year or so, however, a number of states have eliminated the unitary tax completely or gone to a "water's edge" approach, primarily because of economic pressure by major foreign multinational groups.

Water's edge

"Water's edge" means different things to different constituancies. To U.S. - based multinationals, it means a unitary tax system that ignores all income earned outside the U.S., including dividends from foreign subsidiaries. Foreign-based multinationals care only that a "water's edge" approach eliminates non - U.S. earnings. They do not care how dividends are treated because their dividends do not pass through U.S. taxing jurisdiction. For U.S. - based multinationals a "water's edge" approach can be worse than worldwide reporting if foreign dividends are included in unitary income but the foreign allocation factors are excluded from the denominator of the allocation fractions.

This article discusses (1) the rise of the unitary tax, (2) its flaws, (3) the economic factors that are causing states to drop it, and (4) how a German multinational might avoid unitary tax treatment.

Railroads: first unitary businesses

The unitary concept was conceived and first applied over a hundred years

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The 735i is one of the few luxury cars in the world that routinely garners critical praise for being, as Design News said of its predecessor, "a driver's delight."

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A sense of priorities that's evident everywhere throughout the 735i.

It has, for example, a new anti-lock braking system with electronic sensors that monitor all four wheels. These sensors "tell" the brakes to apply pressure intermittently, pulsating in split-second intervals, preventing locking and allowing the driver to steer even in panic stops.

In other words, the influence of BMW engineers is apparent every time you apply the brakes. And it's no less apparent when you depress the accelerator.

The 735i's new 3.5-liter engine uses the third generation of a BMW innovation called Digital Motor Electronics. Here, other sensors probe the engine, feeding data back to a microprocessor. It then "tells" the engine the precise moment to fire for peak performance.

Meanwhile, in the factory, every stage of the production process is probed by BMW engineers.

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A wraparound dash presents all manner of vital and easily readable information. There's even a multifunctional onboard computer you can activate by using the directional signal, so your hands never have to leave the wheel—and a separate indicator that informs you when routine service is advisable.

All of which makes the 735i different from conventional luxury sedans. It's purchased not for the pleasure the act brings, but for the rewards that follow.

And those rewards include not just advanced technology or abundant civility, but a return on investment that's rare in any automobile:

A driving experience that, as Car and Driver wrote of 7-Series BMW's, "can take a limited amount of time and turn it into an experience to be savored for always."

We invite you to sample a small but revealing portion of that experience at your nearest BMW dealer. Where the new 735i awaits your test drive.

BMW

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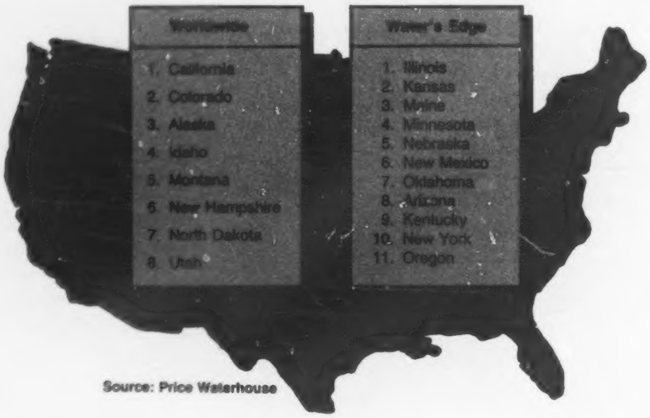
ago by states to value the personal property of interstate railroads and telegraph companies. Using the "unit rule" of taxation, states assessed rolling stock by (1) computing the ratio of (a) track miles in the state to (b) total track miles and (2) applying this ratio to the railroad's total rolling stock. When states began taxing income, they used this concept to compute the income of corporations with multistate operations. Ultimately, California expanded and refined this approach to include the worldwide activities of both U.S. and foreign controlled multicorporate and multinational groups of companies.



Source: Price Waterhouse

Three-factor formula

If a business is deemed "unitary", a state calculates the income attributed to it by using the standard three-part apportionment formula. In separate computations, the ratios of the group's property, payroll, and sales within the state to its three ratios are then averaged and the resulting percentage applied to the group's worldwide unitary income.

Unitary business

The "control" needed to include a corporation in a unitary group generally is present if more than 50 percent of its voting stock is owned directly or indirectly by the group. The unitary theory does not recognize minority interests. If there is "control", 100 percent of the income of that corporation and 100 percent of its property, payroll, and sales factors will be included in the combined report, even though there may be a 49-percent unrelated minority interest. This seemingly distortive practice in fact highlights the unitary theory. Once you accept the premise that the local activity is an inseparable part of the whole, the fact that there are minority interests does not affect using the income of the whole to help measure the earnings of the local activity. Later in this article we discuss circumventing control (and unitary treatment) by structuring U.S. investment through joint ventures and partnerships.

Flow of value

In its *Container Corporation* case the U.S. Supreme Court said that, in addition to "control", there must be a "flow of value" among affiliated corporations if their business is to be deemed "unitary". This test is satisfied if there is *either* (1)centralized management or (2) "contribution or dependency". An example of the former would be a horizontally integrated retail operation with the stores in each state owned by a separate corporation with locally autonomous operating management, but with centralized accounting, financial management, advertising, and ultimate executive direction. The "contribution or dependency" test that is met if the business done within a state is dependent on or contributes to business outside the state. Any significant link in a vertically integrated group of companies would be deemed to satisfy this test. In practice, if the control test is met, any subsidiary that cannot be shown to be a mere portfolio-type investment probably is in danger of being drawn into the unitary net.

Unitary flaws

The principal argument in favor of unitary taxation is that multinational groups can manipulate transfer pricing among controlled corporations to skew income away from high-tax areas. When it is pointed out that for a given taxpayer the unitary approach produces significantly more tax than separate accounting, in circumstances that indicate little or no transfer pricing manipulation, the answer is (as articulated by the Supreme Court in *Container*) that no system is perfect. In *Container*, unitary income was 14 percent greater than separate accounting income, and we believe that a spread of 30 to 40 percent probably is the threshold spread that would gain Supreme Court review of a state court decision upholding use of the unitary tax. Our experience is that where the unitary approach seriously skews income, say 30 to 40 percent or more, state tax commissions may give some relief by compromising on the allocation factors used in the unitary formula.

That use of the unitary tax in California alone generates $340 million a year in additional state tax revenue is strong support for the view that the worldwide unitary approach allocates an unfair amount of income to U.S. states. Significant transfer pricing manipulations, that allocate income away from U.S. operations, are unlikely because the U.S. federal government taxes on a separate accounting basis and its revenue examinations routinely check the transfer pricing of multinationals.

The reasons why the unitary tax skews income to the U.S., and California in particular, cannot be identified with certainty, but it is clear that the three-factor formula ceases to be a meaningful way to measure the economic contribution of various parts of a worldwide organization as (1) the part being measured is one link in a vertically integrated company (e.g., the tire making operation of a car manufactuer) and/or (2) the multinational group operates in low-wage areas as well as in the United States. It also may be that lower than average profit margins are accepted in the United States (and California) because the size of the market justifies it.

Taking the tire company example, assume A, an independently owned California tire maker sells 1 million tires to multinational auto maker B in 1982 and makes a profit of $1 million. No question; its California taxable income is $1 million. At Jauary 1, 1983 multinational tire manufacturer C buys the shares of A. During 1983, A again sells its total production of 1 million tires to B at the same price (and has the same costs) and again earns $1 million. But in 1983 A is part of C's unitary group and its taxable income for California purposes could be $2 million or zero, depending on such factors as C's sales of tires for farm machinery or how wage negotiations go in the U.K. At January 1, 1984 C sells A's shares to auto maker B, who again buys A's total production of 1 million tires. The price and costs remain the same and A again makes $1 million, but this time it will be in B's unitary group for California tax purposes and again subject to outside influences.

Economic clout is effective

That the unitary tax often produces an unfair result has not been an important factor in states repealing the unitary tax (or at least going to a "water's edge" approach). Also of apparently minor importance were (1) the U.S. Treasury's plea for states to, at the least, adopt a "water's edge" approach and (2) the pressure exerted by governments of allies, friends, and trading partners such as Germany, the U.S., Japan, and Canada. A "water's edge" requirement was in the U.S.-U.K. income tax treaty signed in 1975, but the U.S. Senate refused to ratify the treaty until the unitary provision was withdrawn. Because of this Senate viewpoint, the Treasury will no longer negotiate treaties with anti-unitary tax provisions. What has gotten unitary repeal moving is the threat of foreign multinationals, mainly the Japanese, to withhold or withdraw investment if a "water's edge" approach is not adopted. This has worked so far in Oregon, Florida and Indiana, and Colorado is considering the governor's repeal recommendation. In addition, the Massachusetts Supreme Court has voided that state's unitary tax.

But California is the crux. Despite such attention-generating gestures as Sony making it clear that a $1.3 billion plant expansion is contingent on the state adopting a "water's edge" approach, the California legislature has not yet repealed its worldwide reporting requirement because U.S. multinationals feel that the proposed "water's edge" approach will unfairly favor their foreign competitors. We expect, however, that some form of "water's edge" approach will be adopted shortly.

No free lunch!

When California won the *Container* case, many states jumped on the worldwide unitary bandwagon. (Even though the case did not consider whether worldwide unitary reporting could be applied to foreign-based multinationals, the worldwide reporting states have uniformly done so.) The prospect of this new source of revenue prompted a Florida legislator to equate the unitary tax to "finding $65 million in the street." Predictably, this casual attitude to someone else's $65 million had the public relations impact of "let them eat cake", and was often quoted by anti-unitary forces. Having found that there is no free lunch, Florida completely backed away from unitary reporting and raised its corporate tax rate to compensate for the lost $65 million.

Planning

As stated, doing business in the U.S. through joint ventures and partnerships may be a way to *fail* to meet the more-than-50 percent control test and thus avoid unitary taxation. A joint venture where the parties are unrelated, and none of them owns a more-than-50-percent interest, should insulate all the parties from unitary taxation (absent arrangements indicating that one of the parties does in fact have control).

Unless a German corporation investing in the U.S. is willing to operate in unitary states without "control", it will be difficult to avoid unitary taxation unless the U.S. business is so unrelated to the German company's other activities that it is virtually a portfolio investment.

However, the individual owners (controlling shareholders) of a German corporation can expand into the U.S. and still insulate their German company from unitary tax if the U.S. business investment is (1) owned by them as individuals (rather than by the German company) *and* (2) the U.S. investment is in the form of a partnership. If the U.S. operation is in a corporation, the U.S. and German businesses may be deemed to be commonly controlled *corporations* and thus subject to unitary taxation.

Limited liability for the investors in these arrangements may be achieved by having the U.S. operation owned by a GmbH & Co. KG (a German limited commercial partnership) in which the German individuals are limited partners and a specially created GmbH, which may be owned by the individuals, is the general partner (having *unlimited* libaility). Typically the GmbH will have no capital in the GmbH & Co. KG, but will assume the general partner's managing director's function and be compensated for this rather than participating in the profits. The investors' German operating company may, in turn, provide management services to the GmbH for an arm's length fee.

To pass muster as a "partnership" (rather than a corporation) for U.S. (and state) tax purposes (1) the GmbH & Co. KG must have two or fewer of the four "corporate characteristics" specified in U.S. tax law and (2) the GmbH general partner must have enough capital (in addition to any equity in the GmbH & Co. KG) to make its unlimited liability meaningful. If you are considering such an arrangement, get professional advice on both points. ■

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The New Export Entity — Foreign Sales Corporation

by Jacob Edelstein

The Revenue Act of 1971 provided for the establishment of Domestic International Sales Corporations (DISC) which conferred tax deferral benefits to certain qualifying U.S. exporters. Generally, one-half of the DISC's earnings were currently taxed as a constructive dividend to its shareholders, while the remaining earnings were deferred indefinitely until actually distributed.

For several years, this favorable tax treatment afforded to DISCs was criticized by the European community. They maintained that under the General Agreement on Tariffs and Trade (GATT) rules, a DISC was an illegal export subsidy because it allowed for the indefinite deferral of income taxes earned from U.S. exports, while at the same time no interest was charged on these deferred taxes. Under a 1981 GATT Council decision, a country may grant exports an income tax exemption only if the economic processes which give rise to the income takes place outside of its territory. Therefore, to satisfy GATT requirements, the Deficit Reduction Act of 1984 (DRA) replaced the DISC with a new tax incentive entity: the Foreign Sales Corporation (FSC).

Qualification Requirements:

To comply with the GATT rules, the 1984 Act requires a FSC to maintain a significant foreign presence which is accomplished as long as it meets all the following criteria: • foreign organization, • foreign management, and • foreign economic process.

Foreign Organization:

The corporation meets this requirement if all the following conditions are satisfied:

1. A FSC must be a corporation created or organized under the laws of a foreign country (meeting certain exchange of information requirements) or a U.S. possession.
2. The FSC must maintain an office in a foreign country (meeting the exchange of information requirements), or in a U.S. possession at which the permanent books of account are maintained. The foreign office must have at least quarterly income statements and an annual balance sheet on location; this office need not be in the country of incorporation. The IRS has released a list of countries (which includes the Federal Republic of Germany) whose exchange of information programs will qualify them as a host country for a FSC. In addition, the FSC must also have a full set of tax books and records kept at a U.S. office.
3. At any time during the year, there may be no more than 25 shareholders in a FSC.
4. Except for bona fide business reasons, the FSC may not have more than one class of common stock and it may *never* have any preferred stock outstanding.
5. It must have at least one non-U.S. resident on its board of directors. (A non-resident U.S. citizen is acceptable).

Foreign Management:

A FSC will be treated as managed abroad if, throughout the year, all its directors' and shareholders' meetings are held outside the Unitd States; its principal bank account is maintained in a foreign country; and all of its dividends, legal and accounting fees, and officers' and directors' salaries are disbursed out of corporate bank accounts outside the U.S. Temporary regulations recently issued by the IRS, link these two requirements together by defining the account that is to be regarded as the principal bank account of the FSC as the account from which the disbursements of dividends, etc. are to be made. The FSC need not actually perform any of the management activities itself; it may employ agents or professional managers in a foreign country to manage its corporate accounts.

Foreign Economic Process:

The economic process test focuses on both the sales and cost components of a transaction. First, the solicitation (other than advertising), negotiation or making of a contract relating to an export transaction must take place outside the United States. Second, the "foreign direct costs" attributable to the transaction must represent at least 50 percent of the "total direct costs" of the transaction. An alternative 85 percent test is available. "Foreign direct costs" include only that portion of the costs attributable to activities performed outside the United States. As previously mentioned, however, the above sales and cost component requirements may be fulfilled by either the FSC or its contractual agent. Accordingly, direct costs include payments by the FSC to its agent for services rendered by the agent on its behalf. A written agreement should be used, even with a related agent, to document a "contract".

Election:

If an export corporation qualifies under all of the aforementioned, then an election to be taxed as a FSC must be made within 90 days prior to the beginning of the FSC's taxable year. The election will be valid only if all shareholers consent in writing to the election. Small exporters may take advantage of relaxed "small FSC" rules, under which they need not meet all of the tests required of large FSCs. A small FSC — one with up to $5 million of gross receipts during the taxable year — is excused from the foreign management and foreign economic process requirements described previously. A small FSC, however, is still subject to the foreign organization requirement. To take advantage of these rules, a corporation must state in its FSC election that it is electing to be taxed as a small FSC.

How is the FSC taxed:

The FSC itself is a taxable entity. The portion of the FSC's foreign trade income that is exempt from federal income taxes depends on the pricing rules used to determine the amount of the foreign trade income earned by the FSC. The pricing principles were enacted to comply with the GATT rules. If the foreign trade income is based on arm's length pricing between unrelated parties, then the exempt foreign trade income is 32 percent of the income derived from the transaction. However, if pricing is determined under special administrative pricing rules in compli-

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ance with GATT's requirements of arm's length prices, then the exempt foreign trade income is 16/23 of the income derived from the transaction. The remaining foreign trade income generally will be treated as income effectively connected with the conduct of a trade or business conducted through a permanent establishment within the United States, and is thus currently taxed. A FSC is not intended to invest the tax-exempt income it earns from foreign trading. Hence, investment income (interest, dividends, etc.) is not exempt or deferred; it is taxed currently.

Taxation of Shareholders:

A domestic corporation generally will be allowed a deduction for the total amount of dividends distributed from a FSC out of earnings and profits attributable to foreign trade income. Thus, exempt foreign trade income escapes taxation at the corporate level, while non-exempt foreign trade income is levied only a single-level corporate tax (at the FSC level). The dividend received deduction is not available to individual shareholders. However, distributions attributable to other earnings and profits (i.e., investment income) will not be eligible for the dividends received deduction. These distributions will be taxed currently to both corporate and noncorporate shareholders of the FSC, since, as mentiond before, the purpose of a FSC is export trading and not investing.

Commission FSC's:

This article assumed throughout that the export corporation is a buy-sell FSC. However, a FSC is permitted to act as a commission agent in an export transaction between the FSC's "supplier" and the transferee. In such cases, the FSC is generally required to satisfy the same requirements as a buy-sell FSC. In addition, the same rules apply to permit the commission FSC to have activities performed for the FSC by another contractor.

Planning Aspects:

Since a FSC, including a small FSC, must be incorporated in a foreign country or U.S. possession, the initial and annual costs of this foreign corporation must be considered. The costs of a foreign office and a local corporate agent must be reviewed. To satisfy the foreign economic process test, it may be necessary to place some work with agents offshore, and accounting controls will be needed to assure that each sale reflects the cost of the agents' activities. In addition, the accounting system of the FSC will have to detail and distinguish between the exporters' direct selling costs attributable to each activity group and so satisfy the "participation in the sales process" and "foreign direct costs" tests.

A small FSC should be considered even when exports are near or even above the maximum $5 million allowed. Although a small FSC gets no benefit for exports over $5 million in any year, it is allowed to select which foreign trading gross receipts will count toward their $5 million limit. Thus, they can apply the FSC exemption to their most profitable sales.

As the treasury approves foreign jurisdictions for FSC location, taxpayers will have to consider the cost of foreign income taxes and the shareholders' cost of withholding tax on distributions of FSC earnings. Many of the countries commonly thought of as tax havens would meet the need of a FSC to operate in a low-tax jurisdiction but they lack either the required exchange of information agreement or a tax treaty and are therefore unlikely to be eligible jurisdictions within the foreseeable future. Switzerland, for example, because of restrictions of its domestic law would fail the required exchange of information requirement and therefore might disqualify as a "foreign country".

Status of DISCS:

A Disc with $10 million or less of qualified export receipts may elect to continue to be treated as a DISC. The old law relating to deemed distributions of one-half of the DISC's income are eliminated; thus, substantially all of the DISC's income attributable to $10 million or less of qualified export receipts may be deferred. However, unlike the old DISC law an interest charge will be imposed on the shareholders of the DISC. The amount of the interest, which will be tied to T-Bill rates, will be based on the tax otherwise due on the deferred income computed as if the income were actually distributed.

An interest-charge DISC will, in the early years of operation, result in a better cash flow than a small FSC. However, in future years, the small FSC will experience a more positive cash flow than the interest-charge DISC, because the DISC-related deferred tax liability will accumulate to a point at which the annual interest charge imposed upon such liability will exceed the difference between the actual current tax using a DISC, and the higher total tax that would have resulted had a small FSC been used.

Conclusion:

With the advent of the FSC, the Tax Reform Act of 1984 forgave billions of dollars of deferred income taxes by treating the accumulated deferred income of existing DISCS as previously taxed income and thus exempting it from any taxation. The tax sheltered earnings from DISCS were expected to reach over $24 billion by the end of 1984, which would have yielded an estimated $9 billion in deferred taxes. As a result of the forgiveness, these companies that provided in the past for deferred income taxes on undistributed DISC earnings on their financial statements will realize phantom paper income from the reversal of this deferred tax liability.

The FSC provisions of the Tax Reform Act of 1984 will have far-reaching implications in international trade, domestic fiscal policy and the financial results of U.S. corporations. The new complexities will necessitate taxpayers to review the structure of their export operations carefully to determine the most efficient and effective way to take advantage of the new export provisions. ■

About the Author:

Jacob Edelstein, CPA, a member of the AICPA, and the New York State Society of CPAs, is associated with Thomas Del Mastro, CPA. This New York City firm, specializes in International Taxation.

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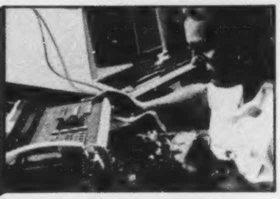

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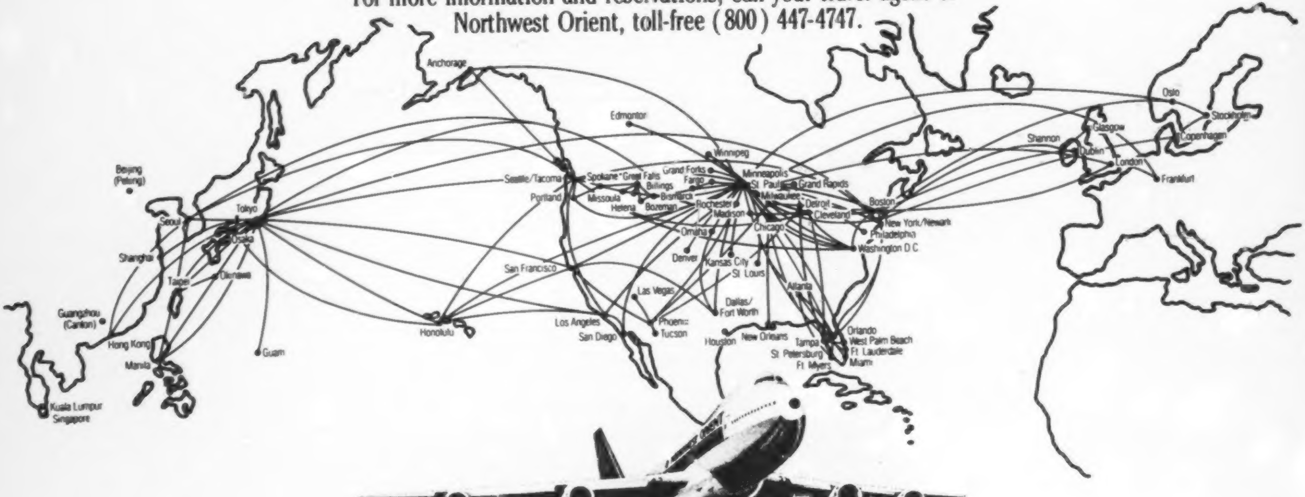
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ART OR INDUSTRY?

by Penny Hutcheson

"There is something magic about the cinema, about being in a space with some other people — a place to look at something, in the dark with everyone else looking in the same direction. You don't get up and just go to the fridge and get another beer," says Berliner Alf Bold, who is passionate about experimental film, sceptical of video and hates TV. He is equally passionate as a critic of Hollywood's commercialization and finds himself caught along with others in the dichotomy of Germany's reactions.

Bold was invited by New York's "Collective for Living Cinema," a non-profit film center, to be their guest program-director for a year and he put together a cross-cultural series called "Americans in Germany", a collection of twelve films that included directors D.W. Griffith, John Ford, and Hitchcock. The rest of his time was spent trying to get publicity for the Collective. He personally wrote 200 letters and sent pleas to all the major newspapers. There was little response.

Bold knows his way around the film world. He is a 39-year-old member of the jury and selection committee of several European festivals including the Berlin Film Festival, where he originally met some of the Collective's filmmakers. He is also an author and a well-known film programmer, with some very strong views on how and why film history should be viewed by the public.

"This is a creative art form that is completely neglected here," says Bold, astonished that a city like New York has so few art theaters. He finds that Hollywood glitz and big budget production with special effects entertainment is turning the public's head away from independent personal film. Certainly Hollywood's power structure helps launch films produced with big private money that expects high box office returns. An experimental art film can be made for the cost of materials, a documentary or independent feature can run from $50,000 to $2 million, but a Hollywood production will easily cost between $30-$45 million.

In Germany, the government tries to

Alf Bold

maintain a balance for the viewers despite the widening gulf of cost and popularity between Hollywood movies and art films. In West Germany today, well over 50 percent of the movie houses show big American films. Estimated German figures of some big grossing American films for 1984 are Police Academy with a gross of $11,733,000 and the Return of the Jedi with $11,000,000. But at the same time, because of a continued belief in film history, Germany's major cities fund the "kommunale Kino," special city movie houses that show all film history including modern experimental not shown in larger theaters. There is no struggle for publicity or funds, but Bold worries that the balance is fading with the public's appetite for big films that he considers "simple escape from the dirty realities of life."

Despite box office figures, Bold is still adamant and optimistic about experimental filmmakers. "The little steps, stylistically, which are done in art films are important for film history. Without these struggles of people who made their films literally in their kitchens and edited them and developed them in bathrooms, film language would never be where it is today. It will continue that way," he says.

The problem for all independents who don't have access to Hollywood's big money is funding. Bigger productions are not made in kitchens and those independent filmmakers have to go to Germany, France and Great Britain for financing. There is no capital available in the U.S. today for low-budget films.

Because of the limitations of art film and because there is no major film industry in Germany, most German independents apply for government subsidies and production money from Germany TV, which supplies nearly 80 percent of all major funds. (It's ironic that American independents also rely on German TV production money and several of them became well-known through that exposure.) Germany has no federal agency that sponsors the arts, but they set up a subsidy system where a levy on entrance tickets to movie houses is collected by the government for filmmakers.

In the late 1960's West Germany's government began rebuilding the film industry, lost during World War II, and most of the New German Cinema filmmakers came out of those schools, where training was related more to the aesthetic arts than technology. Even though the government was committed to a new industry including art films, it was not enough to keep these filmmakers at home and suddenly they became popular outside of their own country.

Independent German filmmakers like Herzog, Fassbinder and Wenders first made a strong impact in the U.S. through the 1974 New York Film Festival. The New York Times critics gave them top reviews and now the work of German filmmakers is recognized in the U.S. as an important art form and interesting national cinema.

Although Bold complains about the difficulties at the Collective for Living Cinema, he admits museums have continued to show interest in German film. Last year, the Museum of Modern Art showed 19 feature length films. The month long series called "Recent Films from West Germany," was coordinated with the help of Export Union des Deutschen Films in Munich, the Goethe House and Gray City, Inc.

WIM WENDERS — HYBRID GERMAN FILMMAKER

Wim Wenders, an independent filmmaker who formed Gray City, Inc. in 1981 in New York, is the only German filmmaker who succeeded in setting up independently in the U.S.

In the past, when German filmmakers came to America to work, they immediately ran into operating and distribution problems. Chris Sievernich, Wim Wenders' producer, opened a German Film Office in New York to help coordinate distribution efforts for German filmmakers but he couldn't keep it going. The difficulties with sales were too complex.

"America has not really embraced German film," says Ingrid Scheib-Rothbart, film coordinator for Goethe House. "German filmmakers dream they can make a lot of money, but the distributors just take their films and sit on them." She finds another problem is the language barrier. Out of 130,000 U.S. cinemas, only about 200 play foreign films.

According to Scheib-Rothbart, who also helped Bold coordinate his series for the Collective, Americans do not have art cinemas because there are about 1,500 film departments connected with universities in the U.S. "Film has a different presence here," she says. "College students see all the classical film they want. In Germany there are only two main academys — the Munich Academy of Film and TV and the Berlin Film School. In Germany film is considered entertainment, not a college course."

Although most of the major university libraries demand German films, there are no great sales of German film in the U.S. In order to market them, the films would have to be dubbed and copied for full distribution in American theaters. "It's much easier in the other direction," says Scheib-Rothbart. "Germany is a big market for American filmmakers."

In 1984 Wenders won the Palme d'Or at the Cannes Film Festival for his film "Paris, Texas." It is a German production, entirely financed with European money and shot for under $2 million, using an international non-union crew.

Wenders tried medicine, philosophy and painting before he entered Munich's Academy of Film and Television. He was one of the founders of the Filmverlag der Autoren, created in 1971 to help filmmakers produce and distribute films. He formed his own production company "Road Movies" in Germany before he came to California in 1978 to direct "Hammett" for Francis Ford Coppola.

Wenders, now 39 years old, moves between Germany and New York.

He is caught between two art cultures with a different pace, tradition and outlook on life. But Wenders is fascinated and influenced by America. He describes it as a "mythical place" and sees in it "the projection of dreams from all over the world."

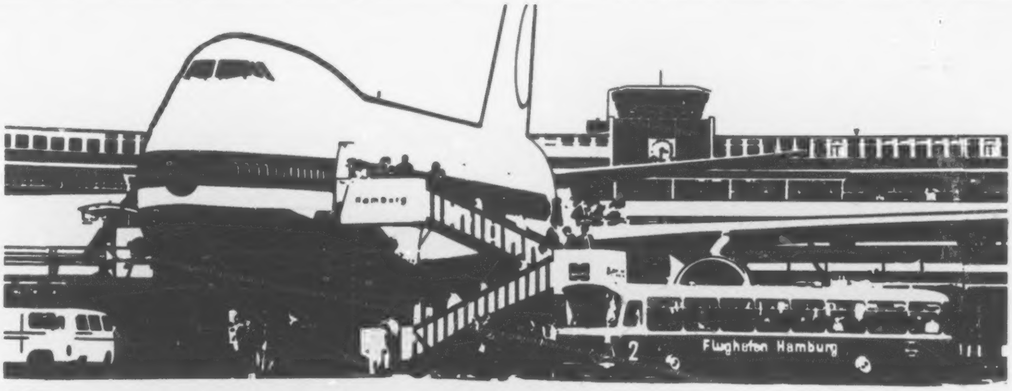
Nastassja Kinski, starring as Jane in "Paris, Texas"

Lilyan Sievernich, who was the New York Coordinator during the filming of "Paris, Texas," and is the wife of Wenders' producer Chris Sievernich, says there are plenty of surprises for German filmmakers who come to America, especially language problems and a different production system with union and casting problems. There is also a greater dependency on technology.

In Germany, according to Lilyan Sievernich, filming is more intimate because filmmakers work with smaller crews who are willing to work longer hours and use less complicated equipment. "Europeans use their imaginations to solve filming problems," she says. "Wim says its easier to film here with technology, but Chris says Americans don't use their imaginations — they just throw money after the problem. You can spend a lot of money for technology here," she adds.

There's a lot of talk in Germany right now about the film "brain drain" — the best German directors not working in Germany anymore. And recently Munich Film Festival director Hauff, who believes the New German Cinema movement is over, said that there were too many artists making films and that Germany needed good commercial films with international standards.

In February "Ghostbusters," made for $32 million, and soon to be slated for TV, was released in Germany. In the first two weeks reported box office gross was DM 14,500,000 ($4,833,333). ■



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U.S. CLIENTS GROW FOR GERMAN AUCTION HOUSE

Sibylle Kaldewey brings Hauswedell & Nolte to America

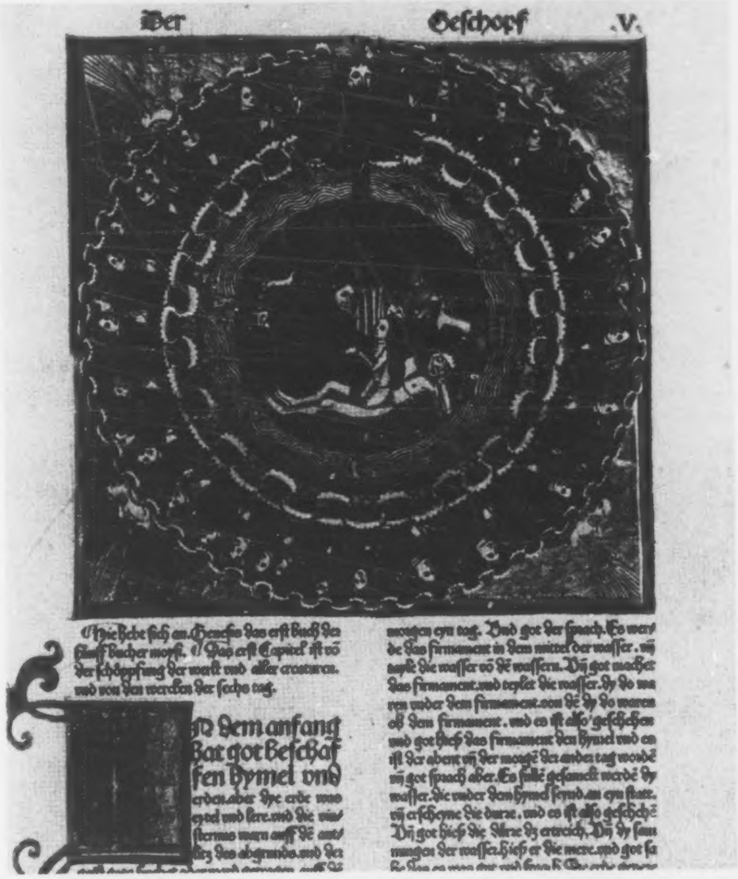
"In Germany I specialized in rare books and art and when I moved here last year, I found a lot of German immigrants about 80 or 90 years old who were clients before the war," says Sibylle Kaldewey, the sole representative for Hauswedell & Nolte, Hamburg's prestigious auction house. "But Hauswedell & Nolte is very strong in 20th century art, so we also have many Americans who want to change their collections, or reduce them or upgrade them. It really depends on people's lives and their changing tastes," she says.

Hauswedell & Nolte was originally founded in 1927 by the late Dr. Ernst L. Hauswedell, who scheduled the first catalogued auction in 1930. Ernst Nolte joined the firm in 1963 and became sole owner when Dr. Hauswedell retired in 1977.

The firm limits itself to three areas: Modern art — 20th century paintings, water colors, prints and sculptures; Old Masters consisting of paintings, drawings and prints; and Rare and Valuable Books, including manuscripts and autographed letters. An annual auction is scheduled for art and two for books.

In addition to locating art and book collectors, Kaldewey contacts clients about the Hamburg auctions, explains details of upcoming sales and German auction procedures, advises buyers as well as sellers, takes works of art on commission, and provides shipping and insurance information. She also keeps in touch with curators of major museums, who often buy for their specific departments. At the same time, she handles advertising with the help of a publicity assistant to assure that Hauswedell & Nolte is well publicized in major U.S. art magazines.

After working for a year in the



Illuminated Bible 1483 from the collection of Dr. Hawswedell

U.S., Kaldewey succeeded in raising the 1984 consignments from the U.S. to Hamburg to a new high. She often travels to major cities to evaluate works of art and keep in touch with her clients, now numbering nearly 1,000.

"I usually go back to Hamburg three weeks before each auction," says Kaldewey. "The auctions in Germany are very different. They're not a social meeting. Here every auction is like an opera — with everyone dressed up and surrounded by rich friends. In Germany they come normally dressed. It's actually more work then fun to attend an auction over there," she adds.

Out of eight well-known houses, Hauswedell & Nolte is one of Germany's top auction houses. Annual sales run between 12-15 million DM for art and 1 million DM to 5 million for books. The figures change both annually and with each sale always according to the value of the collections. "Usually in Germany we sell more to private collectors than dealers. We have between 1,500 and 2,000 works of art in one of the 20th century painting sales. They are always much larger than the old master sales," says Kaldewey.

But the June 1984 modern art auction resulted in a "price explosion" according to the Frankfurter Allgemeine newspaper. At the same time the Handelsblatt reported a new boom in German Expressionism.

Suddenly the presence of American dealers was reported to have an "undeniable effect" on some prices. At that auction a collector from southern Germany bought Otto Mueller's crayon drawing entitled "Female Nude seated in the Grass" for DM 185.000. It had been estimated at DM 60.000.

At the same auction, the highest price for any work was for Chagall's oil "Couple" of circa 1930, bought by the New York dealer Nehmad. It went for DM 325,000 after an estimate of DM 200,000.

"In America there is a different kind of collecting than in Germany — a different mentality — more personal less for show. In America someone will buy in order to hang an expensive painting to show he has arrived, but in Europe a person may buy a small Paul Klee watercolor and hang it on his wall because he enjoys it for himself, intellectually as a sensitive and beautiful work of art," says Kaldeway. "In other words, a small Paul Klee becomes a small personal treasure not a personal triumph," she adds.

Hauswedell & Nolte find it important to keep their clients well-informed. Kaldewey has detailed descriptions of works of art and books, including precise information of their condition, published in Hauswedell & Nolte's beautifully illustrated catalogue. Clients are kept abreast of annual results with color brochures that include reproductions of the art or books sold.

"The best part of working here is that I like people who make quick decisions," says Kaldewey. "In Germany we write pounds of letters. Here I do everything on the phone and deal with a voice not paper. I like the style of life and you can do things the way you like," she adds in a final business-like tone. ■

Penny Hutcheson

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Stanford in Germany

Stanford University Berlin Study Center

In 1983 Stanford University, one of the leading universities in the United States, celebrated the 25th anniversary of Stanford in Germany.

In 1958 the Californian university founded its first overseas study center in Beutelsbach, near Stuttgart, to promote international understanding in the Stanford education by offering a Stanford curriculum in a foreign setting. In 1975 the Center was moved to Berlin because of the city's preeminence as a historical, cultural, and political center in Germany. During these 26 years over 3,000 Stanford students have studied at the German Center.

The University presently operates overseas study programs in Germany, Austria, Great Britain, Italy, France, Israel, Spain, Brazil, Peru, and Kenya: over 40% of the University's 6,000 undergraduates study at one of these centers. The high number reflects the University's commitment to making study in a different culture an integral part of the undergraduate education.

The Berlin Program is housed in the turn-of-the-century Villa Muthesius, an architectural landmark in the residential area of Dahlem. The Villa, restored and renovated for Stanford by the Berlin Senate, serves as the center of activity, with classrooms, administrative offices, and a library. Students live in the villa with German roommates or with German families or in the Free University's dormitories.

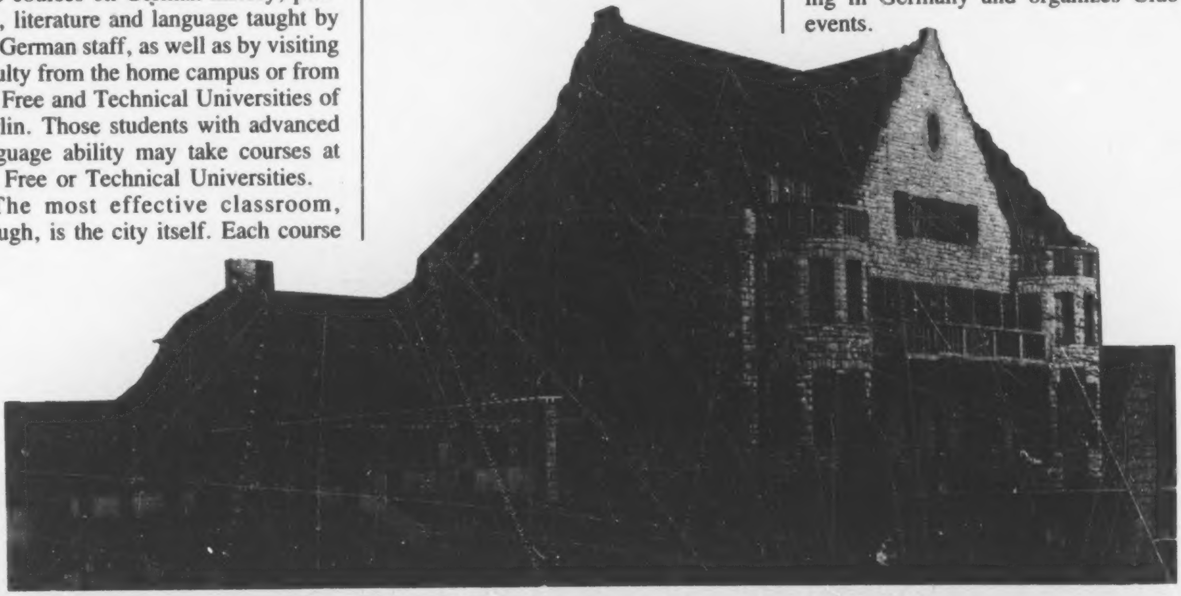
The 25 to 45 students each quarter take courses on German history, politics, literature and language taught by the German staff, as well as by visiting faculty from the home campus or from the Free and Technical Universities of Berlin. Those students with advanced language ability may take courses at the Free or Technical Universities.

The most effective classroom, though, is the city itself. Each course is augmented by outings to historical sites, museums, and cultural events. There are also field trips each quarter to East Berlin, as well as one or two longer trips. This spring students traveled to Stralsund and Krakow.

One of the most exciting recent additions to the program was the establishment of the Krupp Foundation Internship Program for Stanford Students in Germany. Sponsored by a generous grant from the Alfried Krupp von Halbach-Foundation, the Internship Program offers 25 to 30 Stanford engineering and science students per year the opportunity to work as interns at over 25 firms and research institutions in the Federal Republic and West Berlin. Traditionally, students of these fields have hesitated to participate in overseas studies programs because of the strict sequence requirements of their departments. The Internship Program has become one of Stanford's most popular overseas programs and has proved successful for both the students and the participating firms alike.

In January the students begin their 3-6 month internships at such companies as Hewlett-Packard GmbH, Fried. Krupp GmbH, IBM Deutschland, and Accumulatorenwerke Hoppecke, where they undertake projects suited to their interests, backgrounds and abilities. Last year's intern at IBM Deutschland, for instance, wrote the software for the management of the firm's DM 200,000 pension fund. In March, the students meet for a three-day conference at the Krupp Foundation's Villa Huegel in Essen to discuss their experiences and impressions of German history.

Villa Muthesius also serves as headquarters for Stanford's relations with Germany. The Stanford Alumni Club of Germany promotes cultural and academic exchanges on many levels with Stanford's counterparts in the Federal Republic and West Berlin. In addition to arranging conferences, seminars, professorships and other exchanges, the Alumni Club provides a membership directory for over 400 alumni living in Germany and organizes Club events.



Market Study on Germany

The Country Market Profile for Germany is the latest market study to be issued in the CMP series recently introduced by the U.S. Department of Commerce. Earlier market studies in the CMP series cover Japan, Saudi Arabia, and India.

The CMP for Germany is a comprehensive statistical and evaluative analysis of the German market for U.S. products.

The study consists of two main sections. The first section is an *overview of the German market*, with an analysis of current conditions and future prospects, supplemented by statistical tables showing U.S. exports to Germany over each of the last five years, rank-ordered product-by-product according to value, growth rate, and market share.

The market overview describes the pace of the economic recovery now gaining momentum in Germany, in terms of GNP growth, consumer spending, capital investment, rising exports, and prospects for the future. It also provides an overall market assessment focusing on key factors and indicators, such as the following:

— The strength of the dollar abroad has been working to the competitive disadvantage of many U.S. products in the German market, but this is more than offset by the German economic recovery which continues to gain strength.

— Total U.S. exports to Germany, $8.7 billion in 1983, have been declining since 1981, but the rate of decline has continued to narrow to the point that a turnaround appears imminent.

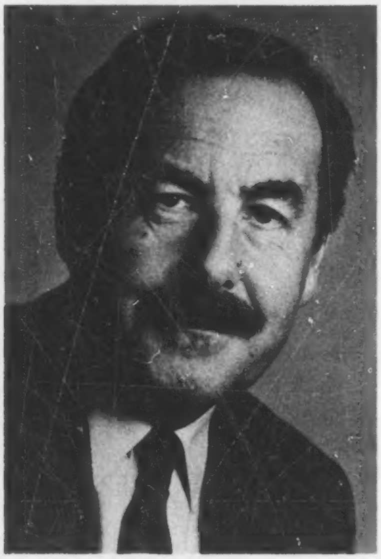
— The U.S. slipped to fifth place overall as a supplier of German imports in 1983, but is the leading foreign supplier in some rapidly expanding sectors such as computers, electronic components, and industrial process controls.

For more information, inquirers may call or write the nearest Commerce Department District Office.

names

FRANK BECKMANN has been named to the Lufthansa Executive Board succeeding Guenter Eser who has resigned to take up his new post as director general of the International Air Transport Association (IATA). As part of the management team that runs Lufthansa worldwide, Beckmann will be responsible for sales, marketing, customer service and the field organization. He has been director of the field organization since 1970.

Frank Beckmann, 54, joined Lufthansa in August 1959 as assistant to the then operations manager, Hans Suessenguth, who retired in 1979 after 16 years on the airline's Executive Board. In mid-1960, he was appointed Lufthansa's permanent representative to the working committee of the planned Air Union in Paris. In early 1963, he took over the department of planning research and route planning in Cologne.



In January 1967, he became acting director of the field organization and in 1970, upon his permanent appointment, opened new office in Frankfurt. The field organization division manages international sales and operations activities and has responsibility for Lufthansa general managers around the world and its airport management in Frankfurt. Beckmann has also been a member of the board of several Lufthansa subsidiaries. He holds a degree in engineering and economics from the Technical University in Berlin.

CARL F. EWIG will be 80 years old on April 29, 1985. Well known in the shipping industry in New York and beyond, he was actively involved between 1950 and 1974 in developing transatlantic trade between Germany and the U.S.A. Besides representations of liner services, shipyards and chartering activities, he was one of the early believers in and practitioner of containerization.

His foremost interest, however, was always directed towards the development and promotion of the Ports of Bremen/Bremerhaven whose director he had been for a number of years after World War II. As their U.S. representative, Carl F. Ewig kept an eye on important new tendencies in the shipping industry and was thus instrumental in the development of new concepts in the Bremen ports.

On May 1, 1985 — CARL F. EWIG, INC. (established in 1957) will have the opportunity to commemorate the 35th anniversary of representing the Ports of Bremen/Bremerhaven in the United States.

CHARLES J. LANCARIC, assistant regional manager of the Maryland Port Administration's port sales and marketing office in New York, has been elected president of the Traffic Club of New York. Lancaric is the first port representative to ever head the 79-year-old Traffic Club, one of the oldest existing private organizations in New York.

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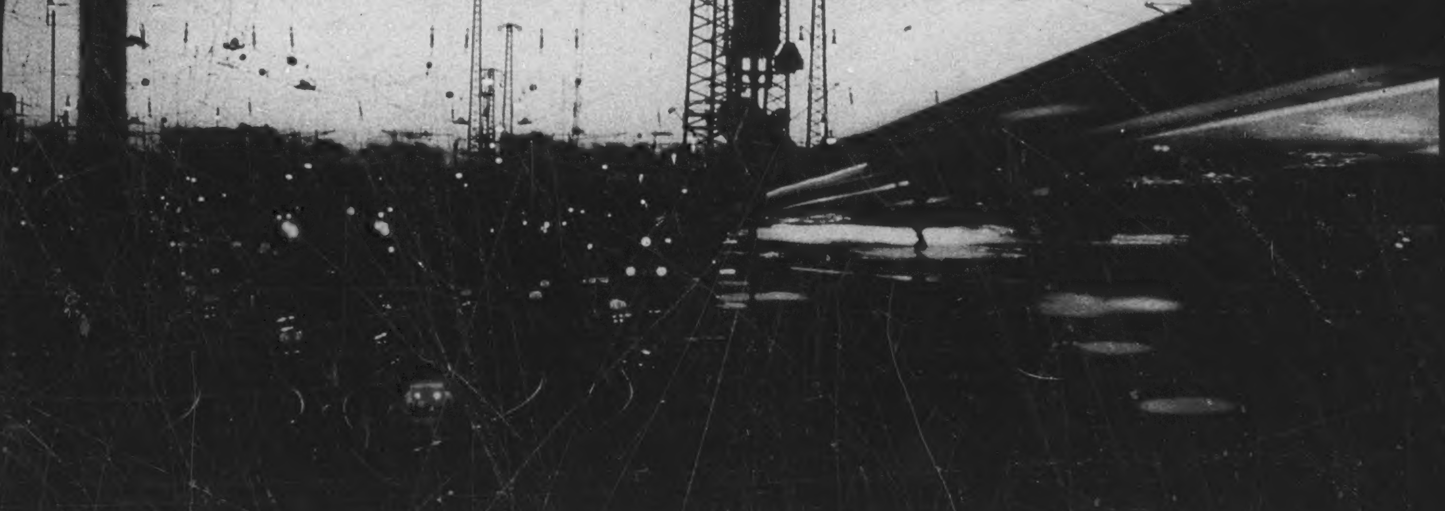
THE STRUCTURE AND ECONOMIC ROLE OF TRANSPORTATION IN THE U.S.

Gerhard Stebich

by GERHARD STEBICH

Comparison of the Transportation Economies of the U.S. and the FRG



There are striking differences in the basic economic features of the U.S. and the Federal Republic of Germany (FRG). Some of them are self-evident, such as the fact that the FRG could fit 38 times into the U.S., and the FRG population of 62 million is 10 times more densly settled in their country than the U.S. population of 233 million (all 1983 figures).

Comparative data on the two countries are presented in the Table (see next page), where several less obvious facts emerge. The biggest disparity between the two countries is in pipeline mileage: the figures show that the U.S. has 182 times the FRG pipeline mileage. A most interesting statistic is the number of trucks in both nations: the 34.5 million trucks in the U.S. add up to 27 times the 1.3 million trucks in the FRG. The U.S.: FRG ratios for other vehicles or for miles of roadway, etc., are not as disparate: roads, 13:1; both rail lines and inland waterways, 9.6:1; autos, 5:1; and buses, 7.7:1.

Another economic distinction between the U.S. and the FRG that has ramifying effects on transportation requirements is the large FRG propensity to export and import (respectively, 25.9% and 23.4%). This percentage is determined by measuring exports and imports as a percent of GNP. The corresponding figures for the U.S. are only 5.9% (exports) and 7.8% (imports). The U.S. is headed in the German direction, and in the future the export/import: GNP statistics of the two countries will not be as different.

U.S. freight and passenger tranportation is big business. In money terms, outlays for transportation in 1983 came to $657 billion, which amounted to nearly 20% of the GNP in that year.

Of the $657 billion total, $250 billion was attributed to freight shipping and $407 billion to passenger transport. All told, the national transport bill amounted to 20% of the 1983 GNP of $3.3 trillion.

COMPARISON OF BASIC TRANSPORTATION ECONOMIC FACTS OF WEST GERMANY AND THE U.S. (1983)

	WEST GERMANY	U.S.
Area (1,000 km^2)	248.7	9,363.4
Population (million)	61.6	232.6
Population/km^2	248	25
GNP ($ bil.)	654	3,305
Propensity to export (exports: GNP)	25.9%	5.9%
Propensity to import (imports: GNP)	23.4%	7.8%
Roads (1,000 km)	486	6,199
Rail lines (1,000 km)	28.2	270.4
Inland waterways (1,000 km)	4.3	41.4
Pipelines (1,000 km)	2.1	382.5
km of roads/km^2 of area	1.95	0.66
km of roads/1,000 population	7.9	26.6
Trucks/1,000 population	21	148
Passenger autos/1,000 population	389	531
Passenger autos (million)	24.0	123.5
Buses (1,000)	70.9	543.9
Trucks (million)	1.3	34.5

Sources: [illegible] 1984, Frankfurt/Main, German Federal Freight Transport Association, pp. [illegible]
GNP figures and import/export propensity percentages from International Economic Indicators, Sept. 1984, pp. 1, 36-37.

Share of Transportation Sector in National Economic Activity

FREIGHT TRANSPORTATION:

Without question, highway transportation is the U.S.'s main form of freight transport. Of the $250 billion Americans spent for freight transport (7.6% of GNP), over three-fourths went to pay for truck hauls, both intercity and local (spending for the intercity *vs.* local trucking market is split at a ratio of 57:43 in dollar terms).

Outlays for railroad hauls claimed another 11% of the total freight transport outlays of $250 billion, while water transport outlays totaled 6.4% (somwhat over half of which went for foreign trade transport). Outlays for air freight came to about 2% (one-quarter of which was international air freight), while oil pipelines received payments to the tune of 3.3% of the $250 billion total freight bill. Outlays for freight forwarders, the category of particular interest to the present writer, came to 0.2%, or about $500 million (figures are net of forwarders' payments to carriers).

INTERNATIONAL FREIGHT OUTLAYS:

The statistical data on transportation outlays (Table 1) include figures for international transport of freight by water and air, totaling $9.8 billion.

But this is only part of the story of transportation's role in foreign trade. To this figure we should add the charges for U.S. inland transport of freight to and from the foreign trade exit or entry point. Comprehensive data on the scale of such charges are lacking, but we do know that in 1981 it cost an estimated $2.8 billion to transport manufactures from the producing plant to the port of exportation.[1]

Our estimate is that in 1983 this sum would have risen to $3.1 billion; figuring that inland freight charges for imports cost a similar amount, we double the $3.1 billion amount to $6.2 billion as a rough guess on the indirect international freight charges for manufactures in U.S. foreign trade. The actual total must be more than $6.2 billion because we have limited our calculations to manufactures, and we lack a ready basis for estimating the additional inland transport charges for argicultural exports and imports and other non-manufacturers.

Adding the $6.2 billion to the earlier-cited amount of $9.8 billion, we arrive at an approximation of $16 billion as the U.S. outlay for transportation in foreign trade in 1983. Thus we can say that about 6.4% of the $250 billion spent on transportation in 1983 went to pay for foreign trade-related transport.

And please remember, the foregoing does not include the transport inputs which are already embodied in manufactures as they exit the factory. In 1981 these ex-factory transportation inputs came to nearly $9 billion, or almost 5% of the f.a.s. export value of the manufactures.[2] However, one cannot carry on about ex-factory transportation values without similarly examining the various non-transportation inputs embodied in transportation itself, and therefore we will not belabor this aspect.

AIR TRANSPORT'S SPECIAL ROLE:

Air carriers transported only a fractional percentage of freight ton-miles (0.2%) despite the big-mileage average hauls. But this is not surprising, inasmuch as the airlines are principally people-movers rather than freight haulers.

"Passenger ton-miles" (a somewhat odd-seeming concept but useful in this context) reached a total of 28 billion ton-miles or 79% of the grand total of 36 billion ton-miles carried in U.S. domestic and international scheduled air transport in 1983. Freight, express, and mail carriage by air came to 7.6 billion ton-miles. When charter services are thrown in, air transport registered a total of 38 billion ton-miles. This large performance figure is a better indicator of air transport's important role in the movement of physical items, whether objects or people.

The evaluation of each transportation sector's comparative role in freight movement is well expressed by the synthesized concept of "ton-miles," but as always when moving to higher levels of abstraction, there is some loss of information along the way. The Tables help remedy this situation. In the Table the tons of freight moved by each transportation sector in 1983 is laid out in comparative perspective. We will interpret these data, together with the average length-of-haul figures given in the Table.

The first striking result is the very long average domestic freight haul — 585 miles. This is befitting to a large continental mass and to an economy which knits the smallest corner together with the huge national integrated net of marketing and distribution.

The next remarkable feature is the emergence to transport stardom of the trucking industry, a middling factor in ton-mile performance, but the leader in tons of freight moved. The reversal is, of course, explained by the fact that trucking handles the short hauls, averaging 290 miles per ton. As trucking handles more and more of the short, unprofitable routes abandoned by other carriers owing to government deregulation, this phenomenon may be intensified.

OUTLAYS FOR PASSENGER TRANSPORT:

Compared to the $250 billion outlay for shipping freight, U.S. passenger transportation outlays in 1983 loomed considerably larger at over $407 billion. Most of this vast amount was spent for private automobile use ($338 billion for auto purchases and operating costs). Domestic air passenger charges accounted for almost half of the for-hire passenger spending of $62.1 billion. Local transit fares were in the $22 billion range. International air fares totaled just short of $6 billion, with shipboard passengers paying out $400 million.

U.S. DOMESTIC INTERCITY FREIGHT CARRIED

(MILLION TONS), BY MODE OF TRANSPORTATION, 1983

MODE	MILLION TONS OF FREIGHT	PERCENT
Railroad	1,377	27.0
Truck	1,894	37.1
Water	911	17.9
Air	3.7	0.1
Oil Pipeline	915	17.9
TOTAL	5,101	100.0

SOURCE: Transportation Policy Associates, *Transportation in America*, Nov. 1984 Suppl., p. 7.

NUMBER OF PASSENGERS TRANSPORTED BY U.S. CARRIERS

BY MODE OF TRANSPORTATION, 1983

MODE	MILLION PASSENGERS	PERCENT
Air		
Domestic	(299)	(30.2)
International[1]	(22)	(2.2)
Total air[1]	321	32.4
Bus	365	36.9
Rail (mainly commuters)	304	30.7
TOTAL ALL MODES	990	100.0

Note: 1. Number of international passengers was estimated from 1983 passenger-miles on the basis of the ratio of passenger-miles to number of passengers in international traffic in 1981 and 1982, as derived from data in U.S. Department of Transportation, *National Transportation Statistics*, Annual Report, August 1984, pp. 16-17.

SOURCE: Except as indicated in Note 1, data from Transportation Policy Associates, *Transportation in America*, Nov. 1984 Suppl., p. 9.

It should be recognized that some portion of the spending for private auto use really ought to be attributed to freight transport, inasmuch as individuals (particularly suburbanites and rural people) make heavy use of their private vehicles to transport goods from retail outlets to the consumer's home or office, etc. Lacking sample surveys, we do not have any basis for delineating the freight-transport function of the privately owned vehicle, but it must be in the tens of $ billions. Thus in looking at the freight *vs.* passenger role of transportation in the U.S., the ratio of $250 bil.: $407 bil. should really be amended by shifting some $ billions from the right to the left of the ratio sign in order to get a functionally more accurate picture.

EMPLOYMENT IN TRANSPORTATION:

An estimated 2.75 million persons were employed in U.S. transportation in 1983 (this increased to 2.9 million in 1984). In both 1983 and 1984, the transportation labor force constituted 3.7% of total employment in the private sector.

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Railroads were among the industry groups identified by the U.S. Department of Commerce as experiencing the "largest employment losses" from 1981 to 1984. From a half-million employed in 1981, class 1 railroads has lost 122 thousand people by 1984, a rate of decline of about 25% — exceeded only by the steel industry (-32%) among big industries losing 50,000 or more people).[3] But funereal tones are not necessarily in order in connection with these "large employment losses." Instead, we may be witnessing the results of greater efficiency through higher labor productivity.

Thus the negative reaction to "employment losses" may be inappropriate, even if it is understandable based on the social problems and economic dislocation created thereby.

THE PHYSICAL JOB OF MOVING GOODS AND PEOPLE:

The preceding analysis of dollar outlays for transportation is the best way to portray the economic contribution of all modes of transportation.

A more concrete idea about the size of the transportation job and how it is accomplished can be gained by examining the physical movement of freight and people.

Taking our base year of 1983, a total of just under three trillion ton-miles of freight was moved, the leading sector being water transportation at 34-odd % of the total. Rail traffic accounted for 28% of total ton-miles, with trucking and oil pipelines in the 18-19% range.

PASSENGER TRANSPORT:

The American love affair with the automobile needs no statistics to demonstrate its vibrancy. At every hand one can see the evidences, pleasurable and painful as are all affairs.

The data are not as captivating, but do provide precise measures of the overwhelming predominance of the private automobile in U.S. passenger transport. In 1983, U.S. transportation achieved a record of 1,729 billion passenger-miles, and fully 80+% of this was provided by the private auto (with minor contributions from private air craft). The public carriers contributed 324 billion passenger miles; air travel was in the clear carrier lead with 287 billion passenger-miles. Somewhat under half of the rail total of 11 billion passenger-miles is accounted for by commuter travel (many people but short mileage). This illustrates the truism that railways are a freight medium and are active in only specialized areas of passenger travel. The bus contribution of 26+ billion passenger

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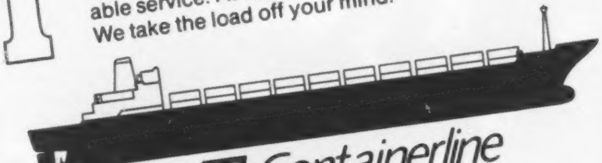

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miles may grow as deregulation permits other carriers to drop the shorter, less profitable routes.

The professional carriers transported a total of 990 million passengers in the U.S. in 1983. The triad of air, bus, and rail pretty much split the total three ways, with bus lines somewhat in the lead at 37% as compared with the other two sectors' 30% each.

It is interesting to speculate on what the Table would look like if we were able to factor in the number of passenger trips via private automobile. We do not have the necessary data at hand, but there is no question that tens of billions of Americans hit the road each year — perhaps anywhere from 50 billion to 150 billion "passengers," totally dwarfing the less-than-one-billion passengers travelling by the professional carriers.

GOVERNMENT DEREGULATION IN TRANSPORTATION:

The basic idea behind government regulation of transportation has been to use social power to insure that essential services would be available at reasonable prices in situations where this would not happen naturally.

To accomplish this objective, government regulation has sometimes obliged carriers in a monopolistic position to forego using their economic leverage; government forced them to keep their prices down and made them continue essential services which the carriers would just as soon have abandoned as unprofitable.

Although regulation has sought to create the effect of competitive markets where they did not in fact exist, it has also served to strengthen the monopolistic elements in transportation. To protect the viability of existing operators, regulation impeded entry of new firms and allowed rate-fixing and other forms of collusion which normally would be prosecuted under antitrust laws.

Inevitably the government became more and more deeply involved in making business decisions which "free enterprisers" wanted to restore to the private sector.

The deregulation process began in earnest in 1978 with the airlines and continues to this day. In the following, we cite developments for individual transportation sectors, but here we may review some interesting hard data on how far deregulation has gone.

According to the Transportation Policy Associates (see their *Transportation in America*, Nov. 1984 Suppl., p. 12), the proportion of ton-miles still under government regulation fell from 56% in 1980 to 47% in 1984. The biggest fall was recorded in railroad regulation, which dropped from 100% in 1980 to 77% in 1984; trucking ton-miles are now 38% regulated; oil pipelines, 90%; waterborne traffic ranges from almost none (Great Lakes) up to 6% (rivers & canals); air ton-miles are totally deregulated, according to the TPA.

Thus far the deregulation process seems to be working out well, not only through occasional price breaks for shippers, but also in dynamic adaptations such as intermodal and multi-modal combinations that creatively serve changing economic needs. It is still too early to render a final verdict, but up to now most judgements are on the positive side.

AIRLINES:

The U.S.Airline Deregulation Act of 1978 prompted the spread of small regional airlines (the "commuters") into the less profitable shorter routes abandoned by national and major airlines. From serving 530-odd U.S. communities in 1978, the "commuters" had expanded services to over

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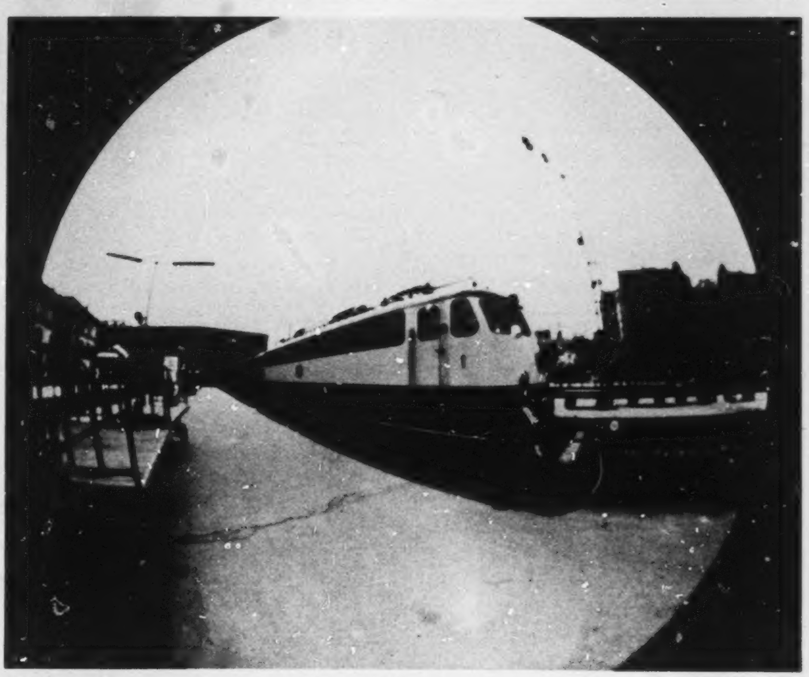
800 communities by 1983 and doubled their passenger traffic volume as compared with the 1978 level.

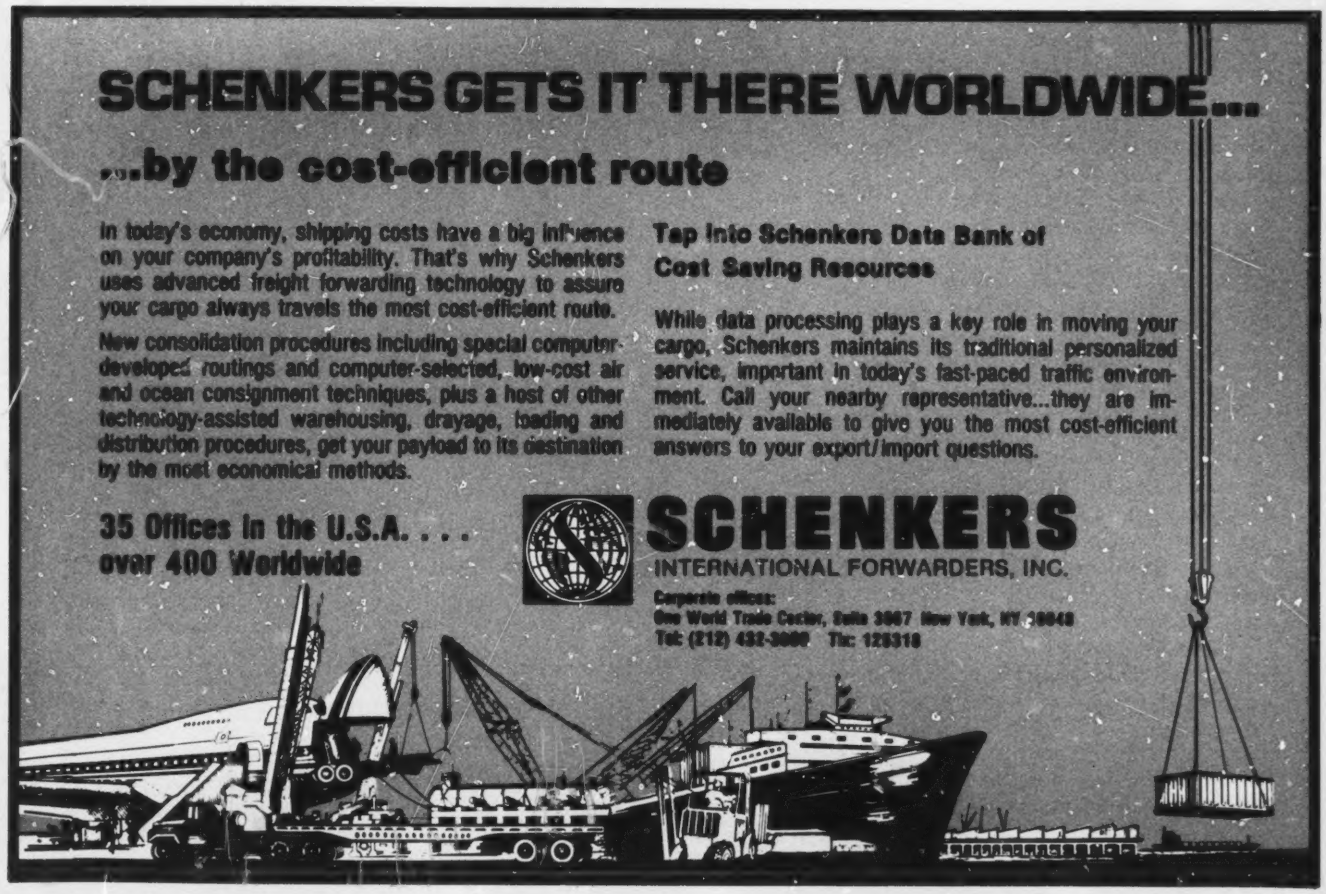
As a result of eased entry into the business, airline deregulation permitted an increase in the number of scheduled carriers offering interstate services (the number rose from 36 to 98 within four years after deregulation). The new interstate entrants (some of which formerly served only within a given state) have captured over 10% of the passenger market which formerly went to other carriers.

The 1978 Act removed controls over ticket prices as well as route structures and entry. This appears to have benefitted passengers, at least in the short term — in 1983, 85% of domestic coach travel was discounted compared to 48% in 1978, and the average discount was 43% as compared to a 34% average discount in 1978.

Another post-deregulation phenom-



Railroads — most important in Germany



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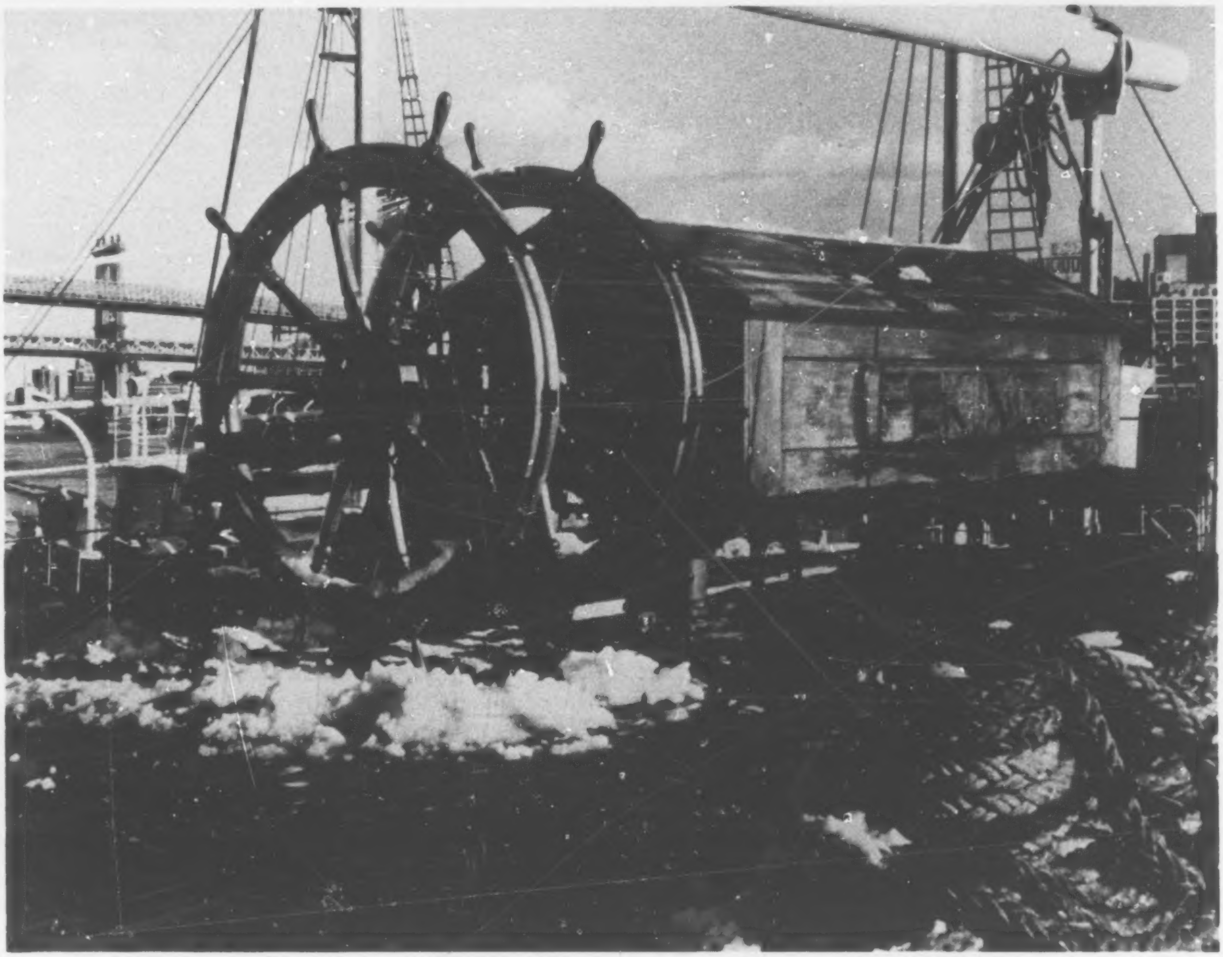

Today the four-masted bark "Peking" is moored at East River Piers 15 and 16 in the South Street Seaport Museum in New York. She was a giant of the open sea: the Peking, fast and trim, carrying more than an acre of sail. Built in Germany in 1911, the Peking transported general cargo from Europe to the west coast of South America, and returned with the valuable nitrates used to fertilize the over-cultivated fields of Europe. The Peking sailed numerous voyages on the high seas, until the manufacture of synthetic fertilizers made her trade no longer profitable.

enon has been the growth of airline "hub and spoke" operations which move passengers from small cities to hub cities such as Atlanta, Chicago, Minneapolis, etc. These hub operations will develop further in coming years.

The Civil Aeronautics Board (CAB), which "sunsetted" (went out of existence) at the end of 1984, made two important decisions before its demise. One was to end the exclusive marketing rights for ticket sales formerly held by travel agents; now tickets can be sold in banks, department stores, and elsewhere. The former CAB also ended certain airline antitrust immunities, but the exact nature of government policy on antitrust actions must await the actions of the inheritor of most of the CAB's residual functions — the Department of Transportation.

TRUCKING:

The major deregulation move for trucking was the Motor Carrier Act of 1980, which gave truckers the right to enter the business more freely, establish rates, and select the routes they would serve with little or no interference from the interstate Commerce Commission. Basically, the Act opened up trucking to market forces and permitted the industry to enter into former preserves of other transport sectors by developing intermodal operations. As with any system of vested interests, the changes brought problems too. Operating rights granted to companies under regulation had been treated as intangible assets by banks in evaluating trucker credit, and this was wiped out by deregulation. But for progressive and well-managed companies, the existence of new and expanded operating rights made it possible to restructure operating systems by mergers and acquisitions to take advantage of emerging economic opportunities. By mid-1984, new grants of operating authority under the 1980 Act reached a total of 12,250 for common carriers, contract carriers and brokerages (half of these were new carriers). There is also a trend toward dual authority, e.g., common carriers also are authorized to be contract carriers. Brokerage approvals have jumped 45% in the last year.

An interesting and important aspect of trucking deregulation has been to permit private carriers, e.g., the trucking section of a manufacturer, to go after for-hire business and otherwise penetrate formerly forbidden zones of trucking. This permits improved utilization of overhead, hopefully without destructive competition that might destroy needed capacity in the field.

Deregulation has also sparked a rise in the intermodal piggyback carriage (truck trailer or container on rail flatcar). Piggyback volume rose 20% in 1983 and continued to rise at somewhat less than this rate well into 1984.

Less-than-truckload (LTL) shipments have become a much more important part of the business of the large motor carriers since deregulation. The reason is that eased entry rules bring many new entrants, and most of them specialize in truckload quantities at low rates, syphoning off business from the large carriers. The latter have fastened on LTL volume as a means of making up for full-load losses.

Since 1980, rate discounting of 10-30% off published rates has gradually permeated the trucking industry.

In the shakeout and restructuring of the industry, it has been noticed that many shippers are selecting a much smaller number of common carriers and contract carriers to move their goods.

Contrary to the concerns of many people, motor carrier service to small communities has not suffered under deregulation. The number of community complaints has dropped year by year, and studies show that in recent years communities are as well off or better off from a transport standpoint.

The improved freedom and flexibility probably helps the better truckers to take advantage of the increasing popularity among U.S. manufacturers of the "just-in-time" (JIT) inventory system, prompted by the high interest rate on money tied up in inventories and in large storage and handling facilities. The proliferation of computers has also helped spread the JIT system. The producers using the JIT system, e.g., auto makers, need deliveries of supplies and parts "JIT" because they keep a minimal safety stock. This means that they must have ultra reliable and speedy shipments in smaller quantities — virtually a recipe for a trucking operation.

The new entrants made possible by deregulation will continue to have a ramifying effect on labor in trucking. Most of the new companies are non-union, with wages that are 25% below unionized levels (important because wages represent 60% of trucker operating costs). Even established motor carriers are setting up non-union subsidiaries in order to keep up with the new competition.

Many other structural changes are afoot in U.S. trucking. A bill has been introduced in Congress to authorize freight forwarders to own and operate intercity line-haul motor carriers. There is reason to think that legislation may be introduced and passed to end what still remains of regulation over interstate trucking (entry, tarriffs, and type of service).

RAILROADS:

Under the Staggers Rail Act of 1980, railroads were free to raise their rates to 160%-180% of variable costs, conclude long-term contracts with shippers on rail rates and services, and receive exemptions from ICC regulation over broad categories of traffic.

Rail deregulation is said to have increased railroad flexibility and responsiveness to market needs. For example, eased restrictions on piggyback operations granted by the ICC prompted the railroads to expand piggyback operations as a way of regaining business lost to truckers. Further intermodal activity was spurred because railroads were permitted to provide motor carrier service as part of an uninterrupted intermodal shipment, facilitating door-to-door service under railroad contracts or leases with truckers and rail-trucker mergers or acquisitions. The piggyback mode has gathered momentum of its own, and railroads are now developing the efficient piggyback hub system, which concentrates rail on and off loading in centralized locations. This lengthens the rail-to-destination leg of the container or trailer, but it streamlines loading operations.

WATER CARRIERS:

The philosophy behind the shipping Act of 1984, as observed by Karl E. Bakke, former chairman of the Federal Maritime Commission, is to promote a marketplace test to the soundness of business judgments in place of decision by government regulation. But the Act only takes a few steps in that direction, and in fact one of its provisions calls for a commission to make a one-year study of deregulation of international ocean shipping. The deregulation would take place in 1989.

The Act loosens rules on intermodal shipping rates, opens shipper conferences to any qualified carrier, grants antitrust immunity to carrier agreements, etc.

With regard to freight forwarding, the Act allows forwarders to become shippers and shippers to provide forwarding services for themselves, but neither is allowed to receive brokerage on their own freight. ■

About the Author:
Gerhard Stebich, President of Schenkers International Forwarders, Inc., New York, grew up in Munich, West Germany, and has been with Schenkers (USA) for the past sixteen years. Prior to that he was with the Schenker Head Office in Frankfurt for ten years. In 1976 he obtained a Master's Degree in Management from New York University.

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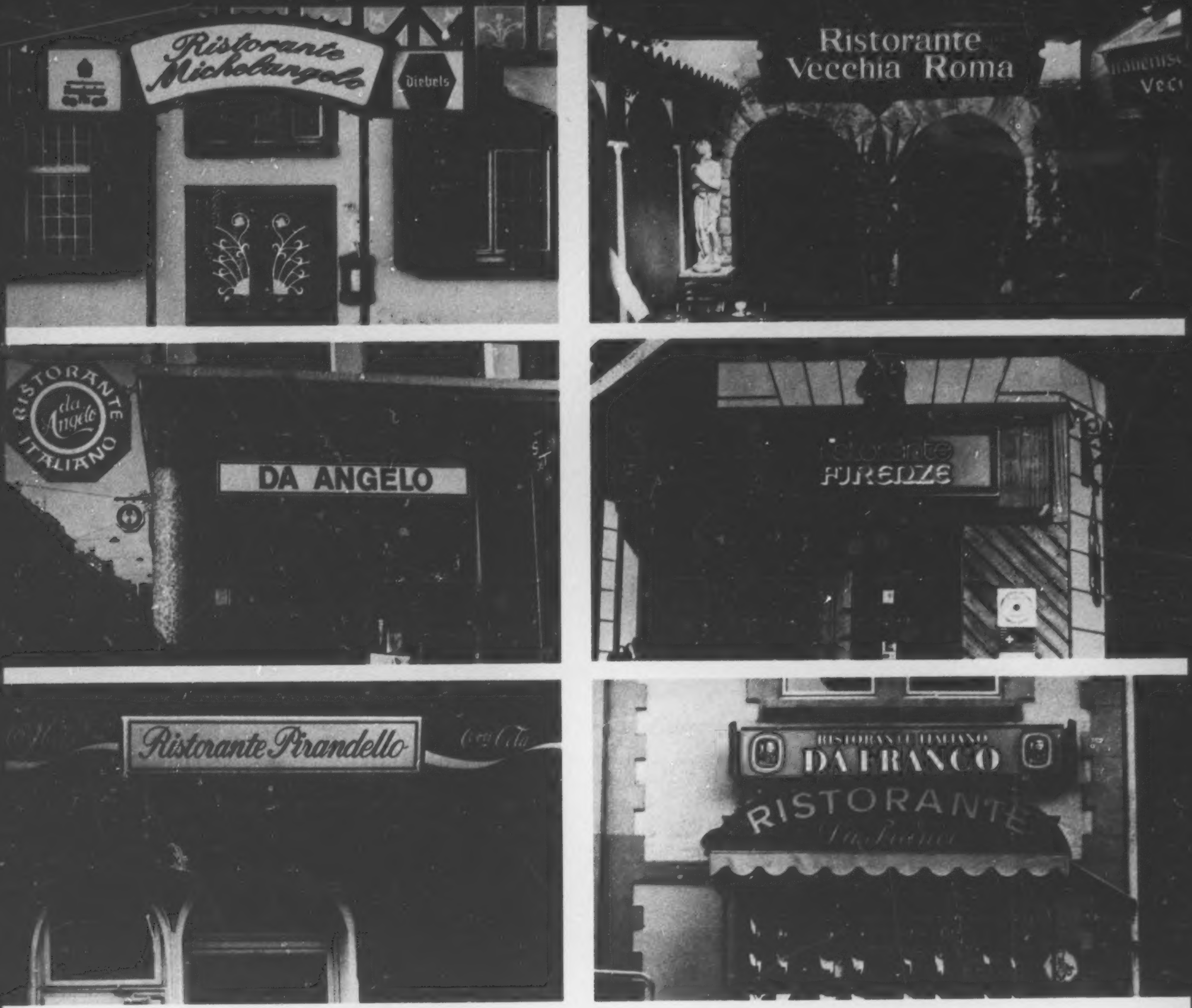
1. U.S. Bureau of the Census, *1981 Annual Survey of Manufactures: Origin of Exports of Manufactured Goods*, p. 11. The $2.8 billion was about 1.5% of the f.a.s. value of the exported manufactures. It also totaled 1.24% of U.S. domestic transport outlays in 1981. We shall have occasion to use these percentages in the analysis which follows.
2. *Ibid.*, Exhibit A, p. 8, and Appendix B, p. B-1.
3. U.S.Department of Commerce, ITA, *1985 U.S. Industrial Outlook*, Table 4B, p. 36.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Two Thirds of all German Imports Arrive by Sea

by Ralf Schneider

For the Federal Republic of Germany, which is strongly dependent on foreign trade, shipping by sea is one of the most important means of transportation to and from foreign countries. About two thirds of all German imports and 40% of the exports from the Federal Republic are shipped by sea.

The German merchant fleet is an indispensable link in the Federal Republic's commercial ties to foreign countries. It is estimated that every fourth ton of freight in the German import/export business is transported by ship owned by German shipping companies.

At the beginning of 1985, 418 commercial ships with about 500 million GRT sailed under the German flag. A further 309 ships owned by German shipping companies with over 2.4 million GRT sailed under foreign flags and German management. The majority of these ships fly the colors of Panama. In addition, there are about 600 feeder vessels used primarily in the North and Baltic Seas and in the Mediterranean. The central organization representing the shipowners' interest is the German Shipowners' Association (Verband Deutscher Reeder — VDR), which has been in existence since 1907; today, it acts both as a trade organization and an employers' association for about 130 shipowner members, and thus has achieved a membership quota of over 80%.

The range of German maritime shipping enterprises includes middle-sized firms as well as major shipowners in all branches of ocean shipping. When viewed in terms of the types of use, the number of ships and the tonnage transported by German shipowners is greatest in tramp shipping; transport capability is greatest in liner transport.

The German liner shipping owners have a long history of growing experience with transport to all parts of the world and to almost all countries, and they have the most habor spaces in the world.

Many small middle-sized and large shipping companies are active in European and Mediterranean shipping. Three German shipping enterprises dominate in ocean liner transport. The *Hapag-Lloyd AG*, which was formed in 1970 through the merger of the traditional companies, Hapag in Hamburg and Lloyd in Bremen, serves all continents with modern container vessels. But Hapag-Llooyd's major emphasis is without doubt trade with the East, West and Gulf coasts of the U.S. The history and present significance of this connection, this "Bridge Across the Atlantic", is described impressively in a publication by the company which was prepared for the occasion of the 300th anniversary of the beginning of German emigration to the U.S. The flagship of German passenger liners, the MS "Europa" likewise flies the Hapag-Lloyd colors; its cruises reach all the attractive destinations in the world, including some U.S. ports.

As its name indicates, the *Deutsche Afrika Linien/Woermann-Linie (DAL)* calls at ports on the South, West and East coasts of the African continent. The Hamburg-Suedamerikanische Dampfschiffahrtsgesellschaft Eggert u. Amsinck *(Hamburg — South America Steamship Company)* operates mainly between Europe and Brazil, Uruguay and Argentina. Its subsidiary, the Columbus Line, additionally provides regular liner service between the East and West coasts of the U.S., of Canada, and of Australia/New Zealand.

The extent and variety of the offerings of German shipowners in the area of tramp shipping — including cross-trade — have increased in recent years. In contrast, the international significance of major German shipping of wet and dry goods has recently declined. Salvage vessels and ocean tugs are in use throughout the world; the same is true for supply ships — the second largest supply fleet is conrolled from the Federal Republic and proves itself again and again on the coasts of Europe, and North and South America, as well as of China, where it is subject to strong competition and government intervention.

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Most Shipping Offices in Hamburg and Bremen

The vast majority of the ships of the German merchant fleet in service throughout the world, including those under the German flag as well as those under foreign colors, are controlled from the shipping offices in the two leading ports — and federal states — of *Hamburg* and *Bremen*, which are traditionally also the sites of the shipping companies. 62% and 17% of the ships respectively are registered here. These two cities are followed by the states of Lower Saxony and Schleswig-Holstein; the most feeder vessels are also found there.

Among the thirteen German seaports included in statistical surveys, the harbors and harbor groups in Hamburg and Bremen are far in front in terms of turnover, with 53.6 mil. tons in Hamburg (39% mixed cargo) and 28.4 mil. tons in Bremen (65% mixed cargo) in 1984. The total turnover in all the ports rose in 1984 by about 6% to 138 mil. tons, a result which still remained below the record of 167 mil. tons in 1979; at the same time, the portion of German foreign trade by sea decreased to 48% by volume and 60% by value. The Bremen harbors were the first, at the end of the 1960's, to be equipped to handle containers and retained their leading position for many years; they were finally overtaken by Hamburg, which in 1984 for the first time reached over one million TEU(?) with a turnover of about 10 mil. tons, while Bremen had 635,000 TEU and 8.6 mil. tons. These two allround and tree-trade-zones-ports, at which 10,000 (Bremen) and 15,000 (Hamburg) ships call annually, each offer up to 330 individual scheduled services with up to 7000 departures annually to about 700 ports throughout the world. Both are known as "fast habors" and offer smooth delivery to and from the ships by means of highway, rail and river/canal transportation. According to turnover value, mixed cargo dominates in both cases, but in Hamburg bulk commodities remain more significant in terms of volume — despite strong declines in oil shipments. If one seeks strong points, Bremen and Bremerhaven lead in trade with the U.S., while Hamburg is ahead in the Far East.

The high tonnage shipped from *Wilhelmshaven* results 75% from oil transport; as a result, this port is the leading oil importing location in the Federal Republic. In the case of Emden, the greatest turnover in terms of volume is in the import of ores (65%) and the export of coal and automobiles (60% and 25% = 410,000 units); grain makes up a large part of the cargo at Brake. The local industrial installations in *Buetzfleth* and *Brunsbuettel* are primarily responsible for the freight turnover in those ports.

On the German Baltic Sea coast, maritime traffic and shipping are concentrated in *Kiel* — with its access to the North — Baltic Sea Canal, the most used artificial waterway — and *Luebeck*, whose turnover figures — 9.2 mil. tons, 2 mil. passengers and over 300,000 vehicles — reflect the extensive RoRo and railway/ferry traffic, especially fo Finland and Sweden. However, it is not only the German maritime industry which takes a sceptical view of the Soviet wish, supported by these two ports, to establish a rail/ferry route from Schleswig-Holstein's Baltic Sea coast to the U.S.S.R. ■

The ports of Bremen — city

About the Author:
Dr. Ralf Schneider is Director of Public Relations, Verband Deutscher Reeder (VDR), Hamburg

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Traffic To and From West Berlin

Berlin is reached from West Germany via demarcated transit routes through territory of the German Democratic Republic (GDR). Since the conclusion of a Transit Agreement between the two German States in 1971, passenger and freight movements have been unimpeded as a result of simple procedures governing access to and egrees from West Berlin.

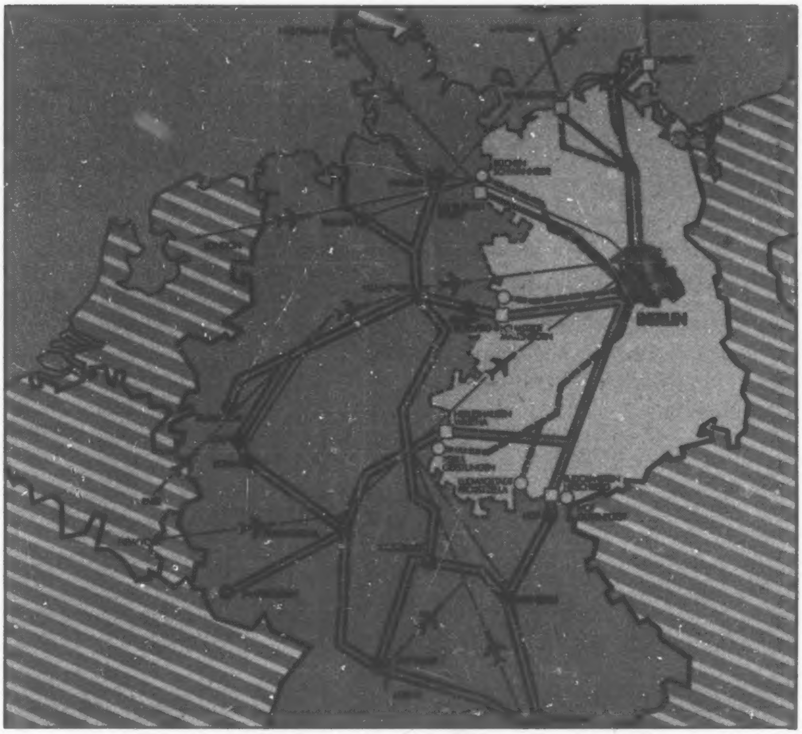
In 1983, 15.2 million tons of goods were transported and 22 million travellers used the surface transit routes. Another 3.6 million passengers travelled by air.

For travel by road, there are four superhighways (Autobahnen) which connect West Berlin with Hamburg, Hannover, Frankfurt and Nuernberg/Munich. At the border there is a simple passport or identification card check. The transit traveller does not have to leave his vehicle or bus for this purpose. There are no fees connected with passage through GDR territory; the cost for using the transit facilities is borne by the Bonn Government.

The movement of goods by highway in both directions is conducted primarily with sealed trucks or containers. GDR customs officials merely inspect the seals and the bills of lading.

The most important road connection to West Berlin is the Autobahn Hannover — Helmstedt — Berlin, the shortest connection between the Federal Republic and West Berlin. It carries more than 50% of all passenger and freight traffic. Transit time through the 110 miles of GDR territory is approximately two hours.

The rail routes between West Germany and West Berlin roughly parallel the transit highways. The passenger trains connecting West Berlin with over 200 cities in West Germany and Western Europe are taken non-stop through the territory of the GDR by the Deutsche Reichsbahn, the East German railroad which still carries its pre-1945 name. Several international trains connecting Moscow and Warsaw with West Germany and France pass through West Berlin and the transit route via Helmstedt. There is only one short stop at each border. Passport control is conducted by GDR custom officials while the train is en route and follows the same simple procedures described above. The most important route, like that serving road traffic, is the connection Hannover — Helmstedt — Berlin, accounting for half of all passenger traffic and more than 60% of all freight movements by rail.



There is one other means of access to Berlin, namely the canal system which is well developed throughout Europe. Two major canals serve this purpose, one from Hamburg via the River Elbe and the Elbe-Havel Kanal; the other the Mittellandkanal which connects the Ruhr area and Hannover with the Elbe-Havel Kanal. Only freight barges can use the canal routes. Berlin's harbor facilities include the modern Westhafen, as well as twelve additional port facilities and ninety private docks spread throughout the city's extensive network of rivers and canals.

Air traffic is of particular importance to West Berlin. There are three air corridors, from Hamburg, Hannover and Frankfurt, through which aircraft of U.S., British and French flag carriers are authorized to fly. Lufthansa, the West German national airline is not permitted to fly to Berlin in accordance with the Quadripartite Agreement of 1971. There are

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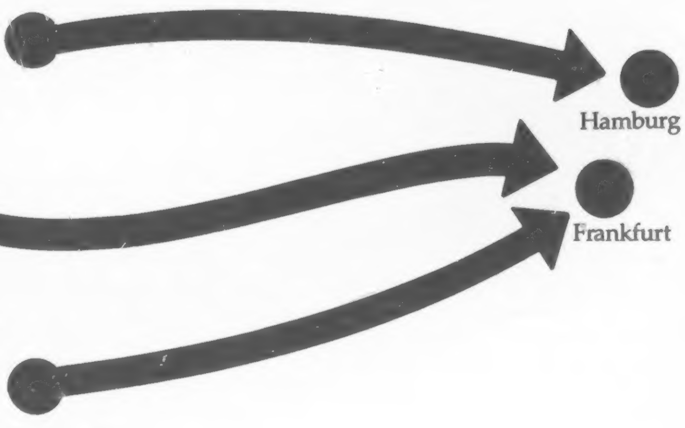

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The airport Berlin-Tegel handles the entire civilian air traffic of West Berlin. It is one of the most modern airports in Euorpe and it can be reached from the center of the city in about 15 minutes. Scheduled airline service connects Berlin with twelve West German cities. The most important route is the one between Berlin and Frankfurt which accounts for roughly 26% of all passenger traffic. There are about 160 takeoffs and landings at Tegel daily.

In addition to the intra-German connections, there are direct flights between Berlin and Amsterdam, Brussels, London, Paris and Zurich. In 1983, scheduled flights transported a total of 3.6 million passengers. Charter flights accounted for another 0.5 million, primarily to and from vacation resorts in Southern Europe.

BERLIN TRAFFIC 1983: Distribution

	Freight	*Passengers*
Road	66.0%	73.2%
Rail	14.3%	11.9%
Water	19.6%	—
Air	0.1%	14.9%
	100%	100%

In summary, despite its somewhat isolated location, West Berlin can be reached as easily and expeditiously as any other major European city. Freight movements in and out of the city are uncomplicated and take only slightly more time in view of the simple border controls. There is a large company in West Berlin which assures delivery by truck to any destination in West Germany within 24 hours after an order has been placed. Other companies, like Ford, Daimler-Benz and General Motors, are producing components in Berlin for their plants in West Germany and in other countries. There have been no interruptions in the flow of these components out of Berlin to the assembly plants in the West. On the contrary, while the Metal Workers' Union was on strike in West Germany last year, the plants located in Berlin continued operating.

Moving Overseas: What You Need to Know

Moving a household is at best a difficult proposition. Relocating to a foreign country, with different language, laws, business habits and lifestyles, imposes an added dimension of anxiety. "It is always easiest if the moving company has offices at both ends of the move," according to Siegfried Zarwel, President of KNOPF INTERNATIONAL MOVERS of Alexandria, Virginia. "That way, any questions about customs, or even how to take apart or reassemble special furniture will be handled by experts who are familiar with regulations, equipment and furniture systems in both countries. While customs regulations and laws can be intimidating, a good moving company will handle most situations as part of the service," Mr. Zarwel says.

The length of stay and the nature of the accomodations at the destination play an important part. Electrical appliances which operate at different power levels from those available in the host country might best be left behind. Adequate repair service for foreign made appliances is difficult to find, as are spare parts. The difficulty and expense in making appliances operative, combined with the expense of the move, may make the transfer too costly. "It is frequently better to sell or store large appliances and buy, lease or rent others in the new location," Mr. Zarwel says.

Moving automobiles, especially to the United States, poses a number of legal and technical problems. The U.S. has strict safety and pollution laws which require relatively costly alterations to non-conforming cars. Careful study of the rulings by the United States Department of Transportation (DOT) and the Environmental Protection Agency (EPA) should be undertaken before deciding to ship a car to the United States.

The transfer of automobiles from the United States presents fewer legal obstacles. However, one must be certain that the mover is experienced in the shipment of automobiles, and consult with them on preparing the car for transfer. Sea freight requires specific preparations depending on the season of the year. The extremely high prices for fuel in Europe might also help determine the feasibility of the transfer. As with electrical appliances, it may be more practical to arrange for a vehicle at the new location.

Personal firearms are legal and not uncommon in the United States. When considering this question, very careful research should be done beforehand to avoid serious legal problems on arrival. The Embassy or the Consulate of the host country should be contacted for information.

Furthermore, there are problems in shipping food stuffs and perishable items which usually far outweigh other considerations. The United States Department of Agriculture, (USDA) and the Food and Drug Administration (FDA) have extremely restrictive rules as does the European Community. Different inspection standards and packaging requirements may create legal problems with customs officials at the destination. This could result in refusal of an entire shipment for entry, causing lengthy and very costly delays. Threfore, it is best to eliminate any such items from a shipment.

Doing Business in Germany

For those who plan to do business in a foreign country for the first time, the venture might turn out to be a real adventure. It starts with not knowing the language or — what is worse — thinking you know it. I remember when a well-known American car producer tried to introduce its successful model Nova under that name into the markets of some Latin American countries. The name reminds us of a star showing a sudden increase in brightness, carries the positive connotation of something "flashy", and thus seems to be a proper name for a racy car. But it certainly did not convey this favorable image to Spanish speakers. "No va" means in Spanish "it doesn't go" or "it doesn't work".

Some years ago an American client of mine asked me to set up a corporation in Germany under his favorite corporate name "Concourse". I convinced him it would be better to pick another name, since the one he suggested sounded terribly similar to the German word "Konkurs", meaning "bankrupt" or "bankruptcy"; a "Concourse-GmbH" would, at least at first glance, certainly meet with suspicion.

Then there is the problem of national customer preferences. A good product which sells well in one country is not necessarily successful in another country. There might be plausible reasons for some preferences. For instance, the well-known fact that American records sell extremely well in Germany, but that the opposite is by no means the case, might be explained with an abundance of talent in one country and a lack of it in the other; and the American customers fascination with German cars might be logically explained with the diffferent features, sporty design, and engineering of German's high quality cars.

However, a number of preferences are either partly or totally irrational or can be understood only by psychoanalysts. For instance, I was told by a European car producer that green cars do not sell in the U.S. — the color green being "out" (since then I've futilely been trying to spot a green car in Manhattan). On the other hand, black cars are becoming more popular again in Germany — for several years there were hardly any black vehicles around — and supposedly customers are required to pay extra for their preference.

Anyone doing business in Germany must also be cautious about transferring any assumptions about his legal system to the German system. While a number of legal concepts are similar and functionally comparable, the technical parameters in the two legal systems are often completely different, giving rise to misconceptions. For instance, the notion of fair trade which exists in both countries' legal systems has a different meaning; while comparative advertising (which firm's hamburgers are bigger, better and have more beef in them), token payments, advertising gifts and certain rebates are considered unfair trade under German law, they are, with certain exceptions, lawful under U.S. law. This shows that there is no absolute legal standard for fairness in an ideal Platonaian sense, but only with respect to a specific legal order embodying certain historic and cultural developments and merits.

Although Germans have contributed decisively to the American heritage and the two countries have a lot in common, fundamental cultural differences still exist. As far as the business world is concerned, the role of the legal profession comes to mind. There are significantly more attorneys per capita in the U.S. than in Germany, and litigation in America seems to be the favorite device to resolve disputes. I attribute this phenomenon to the fact that the American society is very heterogeneous (it is debatable whether America is a big melting pot or more resembles a tossed salad). Since a common cultural background providing the basis for other means of out-of-court dispute settlement does not exist, this is not surprising. Compared to the U.S., the German society is by far more homogeneous.

Taking into account the existing linguistic obstacles, the seemingly irrational psychological customer preferences, the specific features of the German legal system and the cultural merits and peculiarities American businessmen should approach the German scene with openmindedness and, last not least, a sense of humor. Then the venture has a good chance of turning out to be a positive and pleasant adventure.

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